

CITY OF LAGUNA NIGUEL CALIFORNIA



Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

**CITY OF LAGUNA NIGUEL,
CALIFORNIA**



ANNUAL COMPREHENSIVE FINANCIAL REPORT

**WITH REPORTS ON AUDIT BY
INDEPENDENT PUBLIC ACCOUNTANTS**

FOR THE YEAR ENDED JUNE 30, 2021

**Prepared by the Finance Department
of the City of Laguna Niguel**

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CITY OF LAGUNA NIGUEL, CALIFORNIA
Annual Comprehensive Financial Report
Year ended June 30, 2021

CITY OF LAGUNA NIGUEL

Annual Comprehensive Financial Report

Year ended June 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION (Unaudited):	
Letter of Transmittal	i
GFOA Certificate of Achievement for Excellence in Financial Reporting	vi
Organizational Chart	vii
Elected Officials and Management Staff	viii
FINANCIAL SECTION:	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	21
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	26
Reconciliation of the Balance Sheet of Governmental Funds to the Government-Wide Statement of Net Position	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Proprietary Fund Financial Statements:	
Statement of Net Position	32
Statement of Revenues, Expenses, and Changes in Net Position	33
Statement of Cash Flows	34
Notes to the Basic Financial Statements	37

CITY OF LAGUNA NIGUEL
Annual Comprehensive Financial Report
Year ended June 30, 2021

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
Required Supplementary Information (Unaudited):	
Budgetary Comparison Schedules:	
General Fund	70
Miscellaneous Grants Special Revenue Fund	71
Notes to the Required Supplementary Information	72
Schedule of the City’s Proportionate Share of the Net Pension Liability and Related Ratios	73
Schedule of Contributions - Pension	74
Schedule of the Changes in Net OPEB Liability and Related Ratios	75
Supplementary Information:	
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual:	
City Capital Projects Fund	77
Nonmajor Governmental Funds:	
Combining Balance Sheet	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	81
Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual:	
Gas Tax Special Revenue Fund	83
Measure “M” Special Revenue Fund	84
Air Quality Improvement Special Revenue Fund	85
Law Enforcement Special Revenue Fund	86
Community Development Block Grant Special Revenue Fund	87
Senior Transportation Special Revenue Fund	88

CITY OF LAGUNA NIGUEL
Annual Comprehensive Financial Report
Year ended June 30, 2021

TABLE OF CONTENTS, (CONTINUED)

STATISTICAL SECTION (Unaudited):	<u>Page</u>
Statistical Section Overview	92
Net Position by Component	93
Changes in Net Position	95
Fund Balances of Governmental Funds	97
Changes in Fund Balances of Governmental Funds	99
Tax Revenues by Source – Governmental Funds	101
Assessed Value of Taxable Property	102
Direct and Overlapping Property Tax Rates	103
Principal Property Tax Payers	105
Property Tax Levies and Collections	106
Ratio of Outstanding Debt by Type	107
Direct and Overlapping Governmental Activities Debt	108
Legal Debt Margin Information	109
Demographic and Economic Statistics	110
Principal Employers	111
Full-Time Equivalent City Government Employees by Function / Program	113
Capital Asset Statistics by Function / Program	115
Operating Indicators by Function	116

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CITY of LAGUNA NIGUEL

30111 Crown Valley Parkway
Laguna Niguel, California, 92677
Phone: (949) 362-4300
Fax: (949) 362-4340

CITY COUNCIL

Mayor Elaine Gennaway
Mayor Pro Tem Sandy Rains
Council Member Kelly Jennings
Council Member Fred Minagar
Council Member Rischi Paul Sharma

December 15, 2021

Honorable Mayor, Council Members, and Residents of the City of Laguna Niguel

LETTER OF TRANSMITTAL 2020-21 ANNUAL COMPREHENSIVE FINANCIAL REPORT

It is a pleasure to submit the City's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This report has been compiled and prepared by the City's Finance Department in accordance with generally accepted accounting principles. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by Davis Farr, LLP, a firm of licensed certified public accountants. The independent auditor rendered an unmodified (clean) opinion that the City's financial statements for the fiscal year ended June 30, 2021 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a comprehensive and detailed narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

GENERAL INFORMATION ABOUT LAGUNA NIGUEL

The City of Laguna Niguel was incorporated on December 1, 1989. The City is a master-planned community encompassing 14.72 square miles in the coastal area of South Orange County, California. As of January 2021, the State of California Department of Finance projected the City's population as 65,168. The City is primarily a residential community supported by a strong retail and commercial base. Over one-third of Laguna Niguel's geographic area is permanently designated as open space. This is one of the key features that define the character and urban form of the City.

Laguna Niguel is a General Law City and operates under the Council-Manager form of government. The City is governed by a five-member City Council, which is elected at large and serves staggered four-year terms. City Council elections are held in November of even numbered years. Annually, the City Council appoints a Mayor and Mayor Pro Tem from its own membership to serve a one-year term.

The City operates primarily as a contract city, utilizing agreements with other governmental entities, private firms and individuals to provide numerous municipal services to the community, including fire services which is provided through the Orange County Fire Authority, and police services which is provided by the Orange County Sheriff's Department.

FACTORS AFFECTING FINANCIAL CONDITION

COVID-19 Health Crisis and Federal Stimulus Funds. As a result of the COVID-19 health crisis, the Federal Government enacted several different pieces of legislation to stimulate the national economy. The City of Laguna Niguel has benefited from these stimulus funds in FY 2020-2021 and will continue to benefit in following fiscal years.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was a federal stimulus bill signed into law in March 2020 to help combat the economic fallout from the health crisis. The City received an allocation of over \$1.3 million from the CARES Act, and spent the funds on increased disinfection services, information technology needs, and public safety.

The American Rescue Plan Act was a federal stimulus bill signed into law in March of 2021. The City of Laguna Niguel is slated to receive approximately \$8.8 million from this legislation. To the extent of lost revenue due to the health crisis, the City plans to use these funds on infrastructure and capital improvements in future years.

Local Economy. The City's largest revenue source is property tax. Actual property tax receipts in FY 2020-2021 totaled \$24.63 million. As a point of comparison, the prior year property tax receipts totaled \$23.58 million. Even though the COVID-19 pandemic has rattled the national economy, housing in South Orange County has remained strong. Property values and quantity of sales remain at or above the pre-pandemic levels.

Sales tax is the second largest revenue source in the City. Actual sales tax receipts in FY 2020-2021 totaled \$13.1 million. As a point of comparison, the prior year sales tax receipts totaled \$12.2 million. The City is actively monitoring sales tax trends throughout the County and State. The City is also recruiting sales tax generating retailers to compliment the non-sales tax generating service-oriented businesses to increase the sales tax base.

According to the US Bureau of Labor Statistics, the Los Angeles-Long Beach-Anaheim metropolitan area unemployment rate is 7.4% for the month of September 2021. The same metric for the San Diego-Carlsbad metropolitan area is 5.6%. These unemployment rates are moderately lower than the prior year, which is mainly attributable to an economy recovering from the COVID-19 pandemic and infused with Federal stimulus funds.

The City was able to adopt a balanced budget for FY 2021-2022 that maintains all existing essential service levels and programs. The adopted General Fund budget includes approximately \$45.4 million in revenues and \$44.3 million in expenditures. It also provides for \$5.1 million in funding for the annual Capital Improvement Program.

Major Initiatives. Significant projects are being planned, designed, or constructed over the next several years. These include, but are not limited to, the Residential Annual Resurfacing Program, street improvements along Niguel Road, Marina Hills Drive, and Alicia Parkway, completion of playground replacements at various City parks, the addition of electric vehicle

charging stations, and capital improvements at the Sea Country Senior and Community Center.

Reserve Policy. The City's Financial Reserves Policy is reviewed on an annual basis for the purpose of providing fiscal stability and to ensure the long-term financial health of the City. It is the goal of management to maintain adequate reserve funds for known and unknown contingencies. As in prior years, this year's policy calls for maintaining a reserve for financial and economic uncertainty in an amount equal to no less than 50% of annual General Fund operating expenditures and a reserve for compensable accrued unused vacation and sick leave. The percentage of expenditures in reserves at the end of the fiscal year was 104% of the following year's adopted General Fund expenditure budget, far exceeding the 50% threshold. The City Council may designate portions of the fund balance of the General Fund for future capital projects, continuing or carry-over appropriations, or any other municipal purpose that the City Council deems prudent or necessary. All fund balance classifications comply with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54 and are identified in Note 8 of the Notes to Financial Statements.

Long-term Financial Planning. In FY 2019-2020, the City adopted its first ever Strategic Plan. The City initiated its strategic planning process to set goals and priorities for its future. Through the strategic planning process, the City was able to create a blueprint for the future and develop a plan to accomplish its determined direction. The Strategic Plan defines current and future needs and establishes goals and strategies that enable the City to meet those needs. The Strategic Plan serves as a guide for future funding needs. The core goals identified are Public Safety, Fiscal Sustainability, Open Space and Environmental Preservation, Infrastructure and Technology, Economic and Community Development, and Community Outreach. In FY 2020-2021, the City conducted its first Strategic Plan Update Workshop.

The City has also taken other tangible actions to ensure long-term fiscal sustainability. These include, but are not limited to, establishing a Section 115 trust to prepare for future pension costs, evaluating service levels on a constant basis, and adhering to the financial principle of not issuing bonded debt.

SUMMARY OF FY 20-21 ACCOMPLISHMENTS

The City was able to complete many projects and accomplishments in FY 2020-2021. Some of these include:

Administration

- Provided emergency management of the COVID-19 health crisis.
- Oversaw the successful executive recruitment of the Chief of Police Services and Parks and Recreation Director.
- Partnered with Mercy House to provide grant-funded outreach and diversion services to individuals experiencing homelessness.
- Increased community outreach, through increased usage of social media platforms, City website and mobile app.
- Conducted the first Strategic Plan Update Workshop.
- Completed City website redesign.

- Collaborated with the County of Orange to host POD vaccination clinics.

Public Safety

- Participated and provided security for numerous special events throughout the City.
- Met with school officials for increased communication and openness.
- Prepared evacuation routes throughout the City for public access.
- Implemented the Trail Safety and Prevention Team and the Business Enhancement Team.
- Enhanced programs within the Police Auxiliary Citizens Team, including bike patrol and volunteer surveillance teams.

Community and Economic Development

- Expanded and strengthened the City's Economic Development Program.
- Formed and led an economic recovery team to assist the business community during the COVID-19 health crisis.
- Adopted municipal code amendments to update City nuisance abatement regulations and to establish City regulations for sidewalk vending.
- Administered the Community Development Block Grant (CDBG) program, which includes over 2,700 Laguna Niguel residents.

Public Works and Infrastructure

- Started construction for Zones 1 & 2 of the Residential Slurry Seal Program.
- Completed the Crown Valley Community Center.
- Completed the design of the Crown Valley Westbound Widening project.
- Completed the Pavement Rehabilitation of Niguel Road from Marina Hills to Highlands Avenue Project.
- Completed the Paseo de Colinas Groundwater Seepage Repair project.

Parks and Recreation

- Reimagined recreational programming and events at all facilities.
- Continued successful youth programs, including the Junior Civic Workshops.
- Hosted Wellness Wednesday Mental Health monthly meetings.

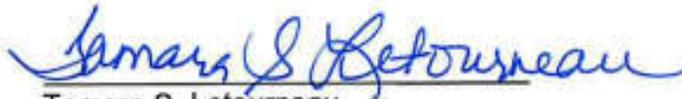
OTHER INFORMATION

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Laguna Niguel for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. This was the 21st consecutive year that the City has received this prestigious award. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA for award consideration.

Conclusion and Acknowledgments. The City of Laguna Niguel is in excellent financial condition. The City's strong financial policies and keen leadership since incorporation have served the City well. The City boasts of a strong tax base and plans its spending very conservatively. The City is prospering today and is well positioned to thrive in the future.

The preparation and development of this report would not have been possible without the continued support and encouragement of the Laguna Niguel City Council. We thank you for your support, vision, and leadership.

Respectfully submitted:



Tamara S. Letourneau
City Manager



Eric Hendrickson
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

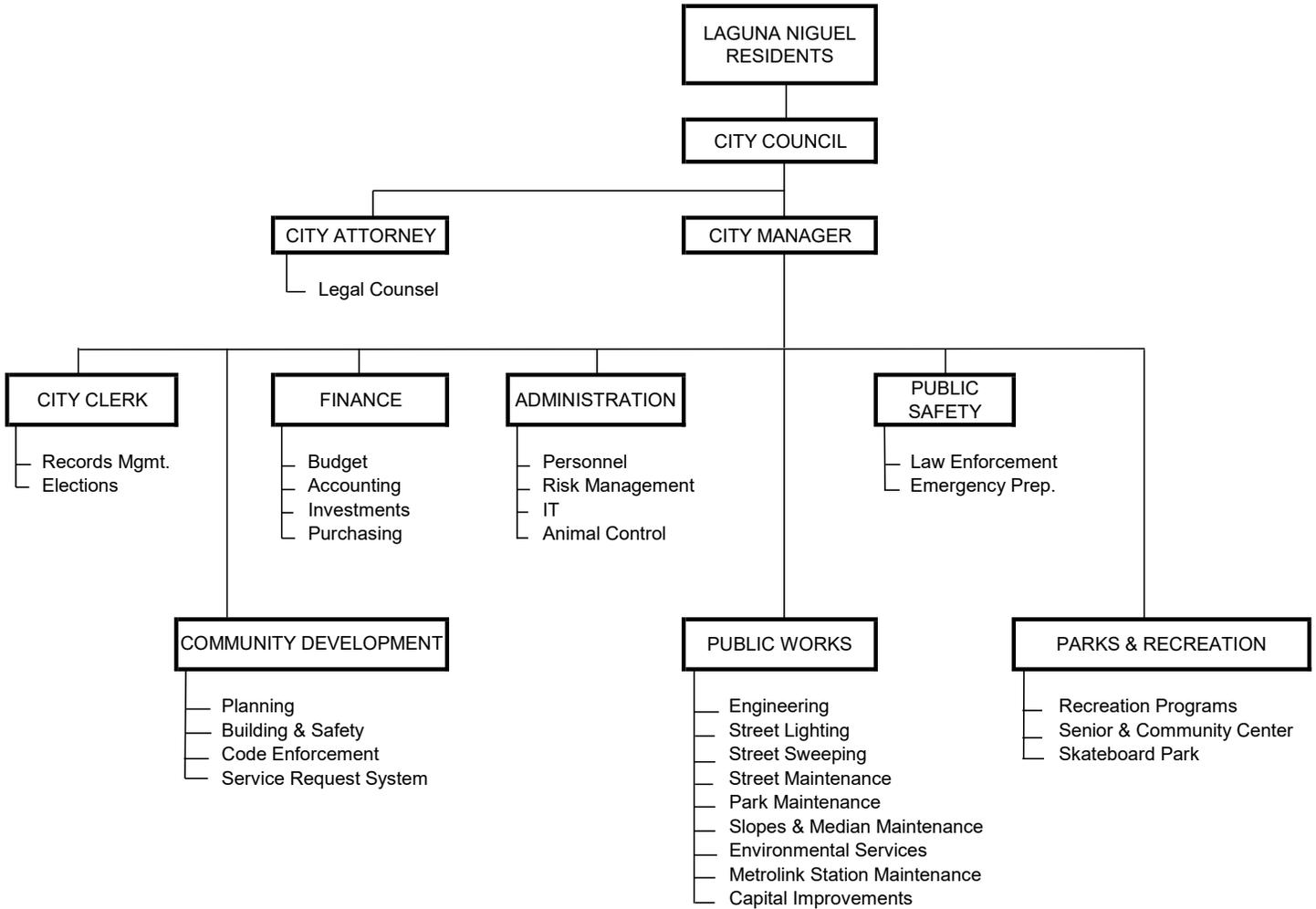
**City of Laguna Niguel
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO



CITY OF LAGUNA NIGUEL

**ELECTED OFFICIALS AND MANAGEMENT STAFF
JUNE 30, 2021**

CITY COUNCIL

Fred Minagar, Mayor
Elaine Gennawey, Mayor Pro Tem
Kelly Jennings, Council Member
Sandy Rains, Council Member
Rischi Paul Sharma, Council Member

MANAGEMENT STAFF

City Manager.....Tamara S. Letourneau
Deputy City Manager.....Justin Martin
City Attorney.....Kevin G. Ennis
City Clerk.....Eileen Gomez
Chief of Fire Services (Division 5).....Michael Contreras
Chief of Police Services (O.C. Sheriff Department).....Capt. Virgil Asuncion
Community Development Director.....Jonathan Orduna
Finance Director.....Eric Hendrickson
Parks and Recreation Director.....Ron Rivera
Public Works Director.....Jacki Scott

Independent Auditor's Report

City Council
City of Laguna Niguel
Laguna Niguel, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laguna Niguel, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Laguna Niguel's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laguna Niguel, California, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Laguna Niguel's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis and budgetary comparison information for the General Fund and each major special revenue fund, schedule of the City's proportionate share of the net pension liability and related ratios during the measurement period, schedule of pension contribution, schedule of the changes in net OPEB liability and related ratios during the measurement period, and schedule of OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laguna Niguel's basic financial statements. The *combining and individual nonmajor fund financial statements*, the *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual nonmajor fund financial statements* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements

or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021 on our consideration of the City of Laguna Niguel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Laguna Niguel's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
December 15, 2021

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CITY OF LAGUNA NIGUEL

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Laguna Niguel ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. This analysis will focus on the significant changes from the prior year and in relation to the current budget in an effort to explain the City's overall financial condition. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal.

OVERVIEW OF FINANCIAL STATEMENTS

The City's basic financial statements consist of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*. This report also consists of supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They are comprised of the following:

- *Statement of Net Position*

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources on a full accrual basis of accounting similar to that used by private-sector companies. The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

- *Statement of Activities*

The Statement of Activities presents information about the City's revenues and expenses on a full accrual basis, with an emphasis on measuring net revenues or expenses for each of the City's programs. This statement also reflects the change in net position for the year.

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, and parks and recreation. The City has no business-type activities.

The government-wide financial statements can be found behind the tab section titled Government-Wide Financial Statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are divided into two categories: governmental funds and one proprietary fund.

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34) and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, while all Nonmajor Funds are summarized and presented in a single column.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

- *Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances with the government-wide financial statements can be found on pages behind the tab section titled Government-Wide Financial Statements.

The City has nine governmental funds for financial reporting purposes, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The City's three major funds are its General Fund, City Capital Projects Fund, and Miscellaneous Grants Fund. Data from the nonmajor governmental funds (e.g., Gas Tax Fund, Air Quality Improvement Fund, Law Enforcement Fund, Community Development Block Grant Fund, etc.) are combined into a single, aggregated presentation. The governmental funds financial statements can be found on pages behind the tab section titled Fund Financial Statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages behind the tab section titled Supplementary Schedules.

The City adopts an annual appropriated budget for all governmental funds. A budgetary comparison schedule has been provided for each of the funds to demonstrate compliance with this budget.

- *Proprietary Funds*

The sole proprietary fund used by the City is an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet of vehicles.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. A separate financial statement is provided for the Vehicle Replacement Fund.

The fund financial statements can be found behind the tab section titled Fund Financial Statements.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found behind the tab section titled Notes to the Basic Financial Statements.

Required Supplementary Information

Required supplementary information includes budgetary information on the General Fund, the budget process, the City's share of net pension liability and related ratios, the schedule of pension contributions and schedule of changes in net OPEB liability and related ratios. Required supplementary information can be found behind the tab section titled Required Supplementary Information.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Supplementary Schedules

Supplementary schedules provide budgetary information on the City Capital Projects Fund, as well as detail about the nonmajor governmental funds, which are added together and presented in single columns in the fund financial statements. Supplementary schedules can be found behind the tab section titled Supplementary Schedules.

The following table summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain.

Major Features of the City's Government-Wide and Fund Financial Statements

Scope	Fund Financial Statements		
	Government-Wide Financial Statements Entire City government	Governmental Funds The activities of the City that are not proprietary	Proprietary Funds Activities the City operates similar to a private business
Required financial statements	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term debt	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term debt
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2021 by \$621.6 million. The amount is referred to as the net position of the City. Of this amount, \$36.4 million is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's overall net position decreased in FY 2020-21 by \$6.0 million from FY 2019-20. FY 2020-2021 revenue increased by \$0.8 million due primarily to increases in property taxes and sales taxes. Expenses increased by \$1.4 million, as compared to FY 2019-2020 levels primarily due to increased capital project costs.
- At the close of FY 2020-2021, the City's governmental funds reported combined ending fund balances of \$51.9 million, an increase of \$4.7 million compared to the prior year. Of the total \$51.9 million fund balances at year-end, \$45.5 million is available for spending at the government's discretion (the sum of the *committed*, *assigned* and *unassigned* fund balance categories reported on the accompanying financial statements).

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Financial Highlights (Continued)

- As of June 30, 2021, the total fund balance of the General Fund, the City's chief operating fund, totaled \$46.3 million.
- Of the total fund balance of the General Fund at June 30, 2021, the City Council has committed \$23.6 million for capital asset replacement, \$19.7 million for economic contingencies, \$0.3 million for compensated absences, and \$1.6 million for Other Postemployment Benefits (OPEB). \$0.7 million has been restricted for unfunded pension liability. The remaining amount of fund balance is either classified as non-spendable or assigned and consists of previously obligated items.

FINANCIAL PERFORMANCE

Government-Wide Financial Analysis

The following analysis focuses on the net position and changes in net position of the City's governmental activities presented in the Government-Wide Statement of Net Position and Statement of Activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$621.6 million at June 30, 2021.

The following is a summary of the Government-Wide Statement of Net Position:

	Governmental Activities		Increase/ (Decrease) from 2020
	Net Position at June 30 (in millions)		
	2021	2020	
Cash and investments	\$ 59.3	\$ 51.3	\$ 8.0
Other assets	4.9	5.0	(0.1)
Capital assets	<u>579.3</u>	<u>589.1</u>	<u>(9.8)</u>
Total assets	<u>643.5</u>	<u>645.4</u>	<u>(1.9)</u>
Deferred pension related items	<u>2.9</u>	<u>3.1</u>	<u>(0.2)</u>
Total deferred outflows of resources	<u>2.9</u>	<u>3.1</u>	<u>(0.2)</u>
Long-term liabilities	12.5	11.3	1.2
Other liabilities	<u>11.8</u>	<u>8.7</u>	<u>3.1</u>
Total liabilities	<u>24.3</u>	<u>20.0</u>	<u>4.3</u>
Deferred pension related items	0.5	0.7	(0.2)
Deferred OPEB related items	<u>0.1</u>	<u>0.1</u>	<u>-</u>
Total deferred inflows of resources	<u>0.6</u>	<u>0.8</u>	<u>(0.2)</u>
Net position:			
Investment in capital assets	579.1	589.0	(9.9)
Restricted	6.1	5.9	0.2
Unrestricted	<u>36.4</u>	<u>32.7</u>	<u>3.7</u>
Total net position	<u>\$ 621.6</u>	<u>\$ 627.6</u>	<u>\$ (6.0)</u>

FINANCIAL PERFORMANCE (Continued)**Government-Wide Financial Analysis (Continued)**

The City's net position decreased by \$6.0 million, or 1.0%, during FY 2020-2021, primarily due to increased expenses in the governmental activities and lower revenue in the charges for services category. The most significant addition to capital assets in FY 2020-2021 pertains to the finalized construction for the Crown Valley Park Community Building and Pool Deck Renovations project. See the Capital Assets section of the Management's Discussion & Analysis for additional information on capital project asset additions.

The following is a summary of the Government-Wide Statement of Activities:

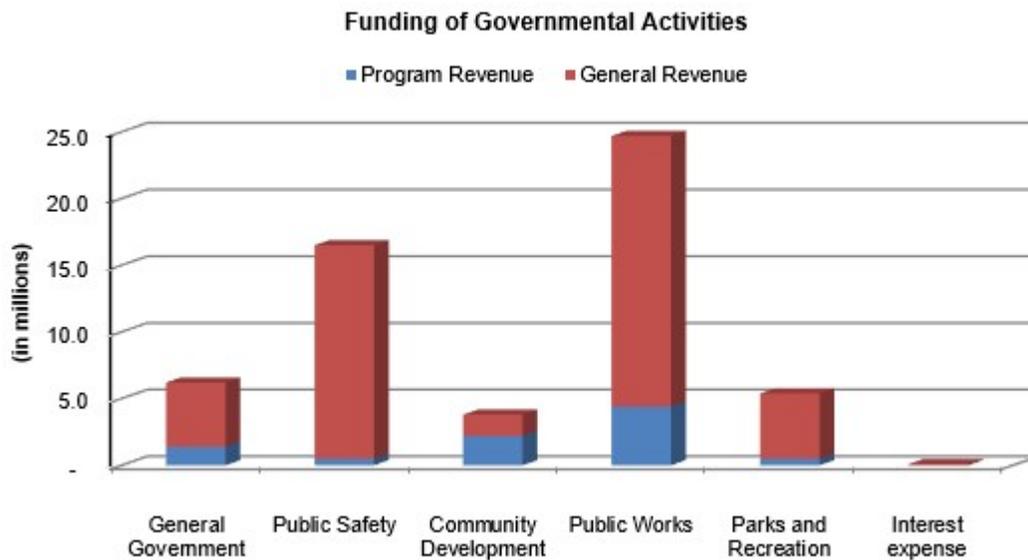
Governmental Activities			
Changes in Net Position for the Year Ended June 30			
(in millions)			
	2021	2020	Increase/ (Decrease) from 2020
Revenues:			
Program revenues:			
Charges for services	\$ 2.8	\$ 3.5	\$ (0.7)
Operating contributions and grants	5.8	4.1	1.7
Capital contributions and grants	0.5	0.5	-
Total program revenues	9.1	8.1	1.0
General revenues:			
Property taxes	24.6	23.6	1.0
Sales taxes	13.1	12.2	0.9
Other taxes	3.2	3.0	0.2
Investment earnings	0.1	1.1	(1.0)
Other revenues	0.6	0.9	(0.3)
Total general revenues	41.6	40.8	0.8
Total revenues	50.7	48.9	1.8
Program expenses:			
General government	6.2	6.1	0.1
Public safety	16.5	16.2	0.3
Community development	3.8	3.4	0.4
Public works	24.7	20.9	3.8
Parks and recreation	5.4	8.6	(3.2)
Interest expense	0.1	0.1	-
Total expenses	56.7	55.3	1.4
Increase/(decrease) in net position	(6.0)	(6.4)	0.4
Beginning net position	627.6	634.0	(6.4)
Restatement of net position	-	-	-
Ending net position	\$ 621.6	\$ 627.6	\$ (6.0)

FINANCIAL PERFORMANCE (Continued)

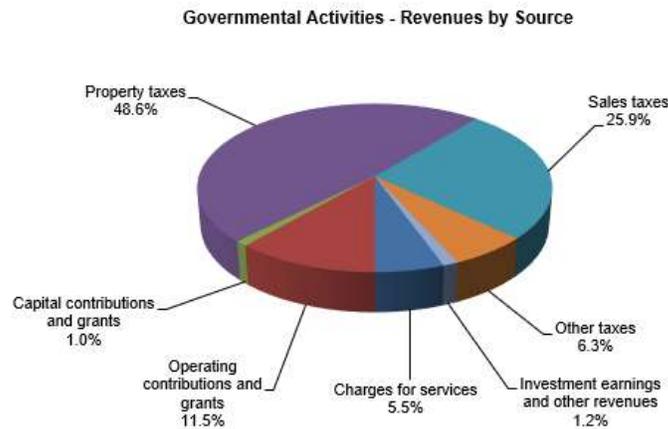
Government-Wide Financial Analysis (Continued)

The City's total revenues were \$50.7 million in FY 2020-2021, while the total cost of all programs was \$56.7 million. Total revenues increased by \$1.8 million, or 3.6%, from prior year levels and total expenses also increased by \$1.4 million. FY 2020-2021 program revenue increased \$1.0 million from the prior year and general revenue increased \$0.8 million from the prior year. The \$0.8 million increase is primarily attributable to an increase in property tax revenue based on the continued strength of the housing market. Better than anticipated sales tax revenue also helped bolster general revenues.

The cost of all governmental activities this year was \$56.7 million. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was \$47.6 million since some of the cost was paid by those who directly benefited from the programs (\$2.8 million) or by other governments and organizations that subsidized certain programs with contributions and grants (\$6.2 million). The following chart graphically depicts the amount of general revenue used in relation to program revenue in funding governmental activities.



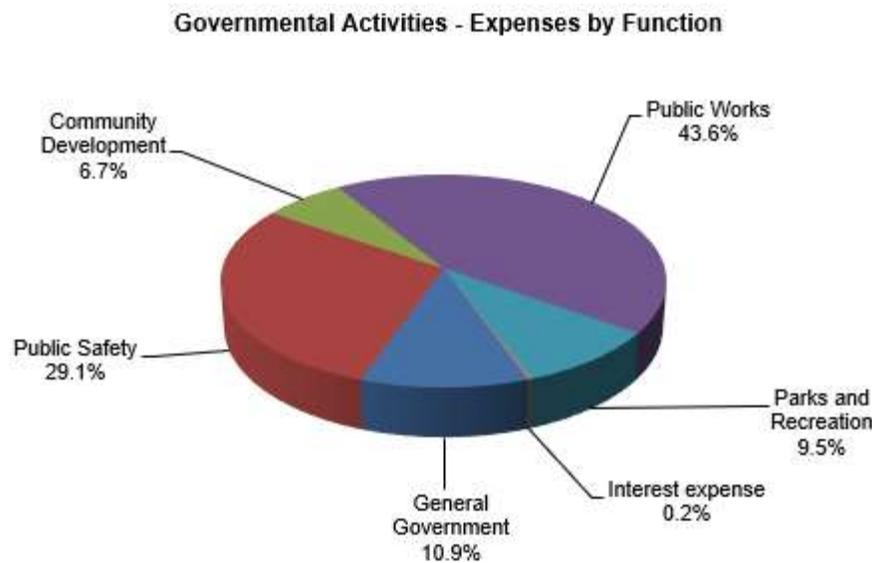
Approximately 80.9% of all revenues this past year came from some form of tax, which is slightly lower than the 81.2% it represented of total revenues in FY 2019-2020. Tax revenues continued to increase (\$2.2 million), while the interest earnings decreased accounting for the change in proportional total revenues. Property tax revenue, the City's largest revenue source, accounted for 48.6% of total City revenue, compared to 49.5% last year. Sales tax revenue was the second largest revenue source at 25.9% of total revenues, up from 25.6% last year. The following chart graphically depicts the City's governmental revenue sources.



FINANCIAL PERFORMANCE (Continued)

Government-Wide Financial Analysis (Continued)

The Public Works function represents the largest activity in the City, accounting for 43.6% of total expenses in FY 2020-2021, compared to 37.8% last year. Public works expenses include all street maintenance, sweeping, and lighting; median, park, and slope maintenance; storm drain/water quality maintenance; Metrolink station maintenance and City Hall maintenance. The increase in Public Works expenses in relation to all governmental activities is primarily due to an increase in Parks and Recreation expenses. The Parks and Recreation function accounted for 9.5% of total expenses in FY 2020-2021, compared to 15.6% in prior year. Public safety activities comprise the City's second largest function at 29.1%, and include police services, animal control, and emergency preparedness. Most of the public safety costs are for police services provided by the Orange County Sheriff, which were approximately \$15.2 million in FY 2020-2021. The following chart graphically depicts the City's governmental expenses by function.



Fund Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the sum of committed, assigned, and unassigned fund balance serves as a useful measure of a government's net resources available at its discretion for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a total combined ending fund balance of \$51.9 million, an increase of \$4.7 million, or 10%, in comparison to the prior year. Of the total combined ending fund balance, \$45.5 million, or 87.6%, is available for spending at the government's discretion. Of the remaining \$6.4 million, \$0.1 million is classified as non-spendable, indicating that it is not in spendable form and previously obligated, and \$6.3 million is restricted, indicating that its use is constrained by externally imposed limitations to be spent for public safety, public works, community development, and air quality improvement purposes.

FINANCIAL PERFORMANCE (Continued)

Fund Financial Analysis (Continued)

The City's three major funds are the General Fund, the Miscellaneous Grants Fund, and the City Capital Projects Fund. A description and analysis of each fund is presented as follows:

- **General Fund** – This fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance was \$46.3 million. General Fund revenues exceeded expenditures this year by \$6.4 million; while the fund balance of the City's General Fund ultimately increased by \$4.6 million, or 11%, during the current fiscal year due to \$1.8 million in transfers, primarily to the City Capital Projects Fund. These transfers funded various projects, primarily including the Crown Valley Park Community Building, Pool Deck Renovations project, and several other capital projects.
- **Miscellaneous Grants Fund** – This fund accounts for revenues and expenditures made for various City projects with funding provided by Federal and State grants. For FY 2020-2021, this fund has been classified as major due to the funds received from the Federal government's American Rescue Plan Act (ARPA). At the end of the current fiscal year, total assets were \$4.7 million and total liabilities were \$4.7 million. The first tranche of ARPA funds was received in May 2021, and is classified as unearned revenue because the City had not spent any of the funds by fiscal year end June 30, 2021.
- **City Capital Projects Fund** – This fund accounts for all expenditures relating to City capital projects. Revenues and transfers into the fund generally equal actual expenditures on capital projects; therefore, this fund usually reflects minimal fund balance at the end of the year. Total expenditures were \$4.9 million and subsequent transfers into the fund were also \$4.9 million for the current fiscal year, a decrease in expenditures of \$17.2 million from the previous fiscal year. This decrease is due to the completion of construction of the Crown Valley Community Center in FY 2020-2021.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted General Fund revenue budget for FY 2020-2021 was \$40.9 million. Actual revenues for the General Fund totaled \$45.8 million, a positive variance of \$4.9 million.

The most significant increases to this positive variance are attributable to property tax and sales tax. Neither category of revenue suffered due to the pandemic. The increases are as follows:

- \$1,749,000 of additional property tax based on a higher than anticipated increase in assessed valuation and supplemental property taxes; and
- \$2,528,304 of additional sales taxes based on stronger than anticipated retail and construction sales, along with inflationary factors and stimulus funds infused in the economy.

The original adopted General Fund expenditure budget for FY 2020-2021 was \$40.7 million. During the course of the fiscal year, total General Fund appropriations were increased to \$42.2 million, an increase of \$1.5 million. The increase was primarily due to the one-time grant funds from the CARES Act, a federal stimulus bill aimed to supplement cities with financial aid. The revenue budget was adjusted accordingly, as well.

Actual General Fund expenditures for the year were \$39.3 million, a positive variance of \$2.9 million. The variance was due to the actions the City took in the wake of the COVID-19 pandemic. The City suspended many budgeted capital projects, and re-evaluated many operational budget items for effectiveness and efficiency. The General Fund ended with a positive, operational surplus of \$6.4 million (actual revenues vs. actual non-capital expenditures).

CAPITAL ASSETS

The table below presents all City capital assets, net of accumulated depreciation, including infrastructure. Infrastructure includes roads, sidewalks, traffic signals, bridges, storm drains, and similar assets used by the entire population.

Capital Assets at June 30 (net of depreciation) (in millions)			
	2021	2020	Increase/ (Decrease) from 2020
Land	\$ 271.1	\$ 271.1	\$ -
Construction in progress	3.1	39.5	(36.4)
Buildings and improvements	64.9	34.3	30.6
Park & other improvements	23.1	22.4	0.7
Swimming pool	0.2	0.4	(0.2)
Furniture, equipment and software	0.6	0.6	-
Vehicles	0.4	0.3	0.1
Infrastructure	215.9	220.5	(4.6)
Total	<u>\$ 579.3</u>	<u>\$ 589.1</u>	<u>\$ (9.8)</u>

The City's investment in capital assets, net of accumulated depreciation, decreased by \$9.8 million, or 1.7%, during FY 2020-2021. The most significant capital asset event during the fiscal year was investing in the City's parks. The decreases in the construction in progress category totaling \$36.4 million are primarily for the completion of the Crown Valley Park Community Building. The project was completed in November 2020.

The change in capital assets was partially offset by total annual depreciation for the current fiscal year in the amount of \$7.6 million. For more information on the City's capital assets, refer to Note 4 of the Notes to the Basic Financial Statements.

DEBT ADMINISTRATION

As of June 30, 2021, the City had the following outstanding liabilities related to its vehicle leases, as well as compensated absences:

Long-Term Liabilities at June 30 (in millions)			
	2021	2020	Increase/ (Decrease) from 2020
Capital Leases	\$ 0.2	\$ 0.2	\$ -
Compensated Absences	0.7	0.6	0.1
Total	<u>\$ 0.9</u>	<u>\$ 0.8</u>	<u>\$ 0.1</u>

For more information on the City's long-term liabilities, refer to Note 6 of the Notes to the Basic Financial Statements.

NEXT YEAR'S BUDGET

The FY 2021-2022 adopted General Fund budget includes revenues of \$45.4 million, operating expenditures of \$44.2 million, and Transfers Out of \$0.1 million. The adopted General Fund budget also includes funding the City's Section 115 Pension Trust with a deposit of \$350,000. The budget includes approximately \$5.1 million from a variety of funding sources for the Capital Improvement Program (CIP). The CIP for FY 2021-2022 includes improvements to the City streets, playgrounds, senior center, and technology infrastructure. The adopted budget can be found on the City's website at www.cityoflagunaniguel.org.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those interested in the government's finances. If you have questions about this report, or need additional financial information, please contact the Finance Department, City of Laguna Niguel, 30111 Crown Valley Parkway, Laguna Niguel, California 92677.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Laguna Niguel
Statement of Net Position
June 30, 2021

	<u>Total Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments (note 3)	\$ 59,285,625
Receivables:	
Accounts	585,016
Taxes	2,986,806
Interest	80,616
Prepaid items	73,785
Deposits	66,860
Due from other governments	1,072,730
Other assets	<u>128,920</u>
Total current assets	<u>64,280,358</u>
Noncurrent assets:	
Capital assets, not being depreciated (note 4)	274,135,284
Capital assets, being depreciated, net (note 4)	<u>305,117,294</u>
Total noncurrent assets	<u>579,252,578</u>
Total assets	<u>643,532,936</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources (note 10)	2,381,377
OPEB related deferred outflows of resources (note 11)	<u>553,075</u>
Total deferred outflows of resources	<u>2,934,452</u>
LIABILITIES	
Current liabilities:	
Accounts payable	4,676,620
Accrued liabilities	277,566
Deposits payable	1,460,764
Unearned revenue	4,721,416
Retention payable	130,596
Capital lease, due within one year (note 6)	56,750
Compensated absences, due within one year (note 6)	<u>436,657</u>
Total current liabilities	<u>11,760,369</u>
Noncurrent liabilities:	
Capital lease, due in more than one year (note 6)	124,740
Compensated absences, due in more than one year (note 6)	303,597
Net pension liabilities (note 10)	9,380,067
Other postemployment benefits liabilities (note 11)	<u>2,726,547</u>
Total noncurrent liabilities	<u>12,534,951</u>
Total liabilities	<u>24,295,320</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	524,297
OPEB related deferred inflows of resources	<u>35,740</u>
Total deferred inflows of resources	<u>560,037</u>
NET POSITION	
Net investment in capital assets	579,071,088
Restricted for:	
Public safety	84,285
Community development	304,171
Streets	5,718,205
Unrestricted	<u>36,434,282</u>
Total net position	<u>\$ 621,612,031</u>

See accompanying notes to financial statements.

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City of Laguna Niguel
Statement of Activities
Year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions And Grants	Governmental Activities
Primary Government:					
Governmental Activities:					
General government	\$ 6,163,102	-	1,386,383	-	(4,776,719)
Public safety	16,499,129	295,071	215,687	-	(15,988,371)
Community development	3,812,834	1,845,081	268,761	71,993	(1,626,999)
Parks and recreation	5,400,764	508,182	-	-	(4,892,582)
Public works	24,756,891	200,655	3,905,887	391,312	(20,259,037)
Interest expense	22,892	-	-	-	(22,892)
Total governmental activities	<u>\$ 56,655,612</u>	<u>2,848,989</u>	<u>5,776,718</u>	<u>463,305</u>	<u>(47,566,600)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					24,630,701
Sales taxes					13,135,671
Franchise taxes					2,352,241
Other taxes					851,034
Total taxes					<u>40,969,647</u>
Motor vehicle in lieu - unrestricted					47,905
Use of money and property					12,375
Other					518,104
Total general revenues					<u>41,548,031</u>
Changes in net position					(6,018,569)
Net position at beginning of year					627,630,600
Net position at end of year					<u>\$ 621,612,031</u>

See accompanying notes to financial statements.

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - The City's primary operating fund that accounts for all financial resources of the general government except those required to be accounted for in another fund.

Miscellaneous Grants Special Revenue Fund - To account for revenues received and expenditures made for various City projects with funding provided by Federal and State grants.

City Capital Projects Fund - To account for the activity relating to the City's individual capital projects.

Nonmajor Governmental Funds - To account for the aggregate of all the nonmajor governmental funds.

City of Laguna Niguel
Balance Sheet
Governmental Funds
June 30, 2021

	General	Miscellaneous Grants Special Revenue	City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 47,925,288	4,679,337	1,413,518	5,008,889	59,027,032
Receivables:					
Accounts	584,917	-	-	99	585,016
Taxes	2,766,152	-	-	220,654	2,986,806
Interest	75,161	2,972	-	2,483	80,616
Prepaid items	73,785	-	-	-	73,785
Deposits	1,960	-	64,900	-	66,860
Due from other governments	245,137	-	-	827,593	1,072,730
Due from other funds (note 5)	66,625	-	-	-	66,625
Total assets	\$ 51,739,025	4,682,309	1,478,418	6,059,718	63,959,470
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,387,307	48,319	898,537	342,457	4,676,620
Accrued salaries	277,566	-	-	-	277,566
Deposit payable	1,460,764	-	-	-	1,460,764
Due to other funds	-	-	-	66,625	66,625
Unearned revenue	35,689	4,685,727	-	-	4,721,416
Retentions payable	-	-	130,596	-	130,596
Total liabilities	5,161,326	4,734,046	1,029,133	409,082	11,333,587
Deferred Inflows of Resources:					
Unavailable revenue	230,606	-	-	446,861	677,467
Total deferred inflows of resources	230,606	-	-	446,861	677,467
Fund Balances:					
Nonspendable	75,745	-	64,900	-	140,645
Restricted	692,039	-	384,385	5,210,515	6,286,939
Committed	45,229,355	-	-	-	45,229,355
Assigned	349,954	-	-	-	349,954
Unassigned (deficit)	-	(51,737)	-	(6,740)	(58,477)
Total fund balances	46,347,093	(51,737)	449,285	5,203,775	51,948,416
Total liabilities, deferred inflows of resources, and fund balances	\$ 51,739,025	4,682,309	1,478,418	6,059,718	63,959,470

City of Laguna Niguel
Reconciliation of the Balance Sheet of Governmental Funds
to the Government-Wide Statement of Net Position
June 30, 2021

Fund balances of governmental funds		\$ 51,948,416
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity (excluding amount reported in the internal service fund):		
Capital assets	\$ 756,217,060	
Accumulated depreciation	<u>(177,343,316)</u>	578,873,744
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds. All liabilities, both current and long-term, are reported in the Government-Wide Statement of Net Position:		
Compensated absences		(740,254)
Net pension liabilities and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:		
Pension related deferred outflows of resources	2,381,377	
Net pension liabilities	(9,380,067)	
Pension related deferred inflows of resources	<u>(524,297)</u>	(7,522,987)
Net other postemployment benefits liability and the related deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:		
OPEB related deferred outflows of resources	553,075	
Other postemployment benefits liabilities	(2,726,547)	
OPEB related deferred inflows of resources	<u>(35,740)</u>	(2,209,212)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		677,467
Internal service funds are used by management to charge the costs of certain activities, such as vehicle replacement to individual funds. The assets and liabilities of the internal service fund are reported in the statement of net position.		<u>584,857</u>
Net position of governmental activities		<u><u>\$ 621,612,031</u></u>

City of Laguna Niguel
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2021

	General	Miscellaneous Grants Special Revenue	City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 40,969,647	-	-	-	40,969,647
Licenses and permits	2,037,023	-	-	-	2,037,023
Intergovernmental	1,418,949	108,765	-	4,502,292	6,030,006
Charges for services	465,020	-	-	-	465,020
Fines and forfeitures	302,213	-	-	-	302,213
Use of money and property	434,725	1,330	-	1,943	437,998
Miscellaneous	122,880	-	-	-	122,880
Total revenues	<u>45,750,457</u>	<u>110,095</u>	<u>-</u>	<u>4,504,235</u>	<u>50,364,787</u>
EXPENDITURES:					
Current:					
General government	4,637,532	-	-	-	4,637,532
Public safety	16,281,019	-	-	150,000	16,431,019
Community development	3,311,883	53,067	-	191,016	3,555,966
Parks and recreation	3,488,143	-	-	490	3,488,633
Public works	11,464,123	-	-	942,933	12,407,056
Capital outlay	156,165	-	4,913,423	-	5,069,588
Total expenditures	<u>39,338,865</u>	<u>53,067</u>	<u>4,913,423</u>	<u>1,284,439</u>	<u>45,589,794</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,411,592</u>	<u>57,028</u>	<u>(4,913,423)</u>	<u>3,219,796</u>	<u>4,774,993</u>
OTHER FINANCING SOURCES (USES):					
Transfers in (note 5)	12,575	-	4,857,368	2,730	4,872,673
Transfers out (note 5)	(1,747,285)	(12,575)	-	(3,123,863)	(4,883,723)
Total other financing sources (uses)	<u>(1,734,710)</u>	<u>(12,575)</u>	<u>4,857,368</u>	<u>(3,121,133)</u>	<u>(11,050)</u>
NET CHANGES IN FUND BALANCES	4,676,882	44,453	(56,055)	98,663	4,763,943
Fund Balances:					
Fund balance deficit at beginning of year	41,670,211	(96,190)	505,340	5,105,112	47,184,473
Fund balance at end of year	<u>\$ 46,347,093</u>	<u>(51,737)</u>	<u>449,285</u>	<u>5,203,775</u>	<u>51,948,416</u>

See accompanying notes to financial statements.

City of Laguna Niguel
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2021

Net change in fund balances - total governmental funds: \$ 4,763,943

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (excluding amount reported in the internal service fund):

Capital assets	\$ 1,497,492	
Depreciation expense	<u>(7,595,268)</u>	(6,097,776)

The net effect of various miscellaneous transaction involving capital assets (i.e. sales, disposals, trade-ins)

Loss on disposal of capital assets		(3,853,005)
------------------------------------	--	-------------

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(69,413)

Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(722,616)

OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(290,359)

Revenues reported as unavailable revenue in the governmental funds are recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

302,180

Internal service funds are used by management to charge the costs of certain activities, such as vehicle replacement, to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities.

(51,523)

Changes in net position of governmental activities

\$ (6,018,569)

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PROPRIETARY FUND FINANCIAL STATEMENTS

Internal Service Funds account for financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

Vehicle Replacement Internal Service Fund - Accounts for interdepartmental operations where it is the stated intent that costs of replacing vehicles to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

City of Laguna Niguel
Statement of Net Position
Proprietary Fund
June 30, 2021

	Governmental Activities - Internal Service Fund
	Vehicle Replacement Fund
ASSETS	
Current:	
Cash and investments	\$ 258,593
Other assets	128,920
Total current assets	387,513
Noncurrent:	
Vehicles - net of accumulated depreciation	378,834
Total noncurrent assets	378,834
Total assets	766,347
LIABILITIES	
Current:	
Lease payable, due within one year	56,750
Total current liabilities	56,750
Noncurrent:	
Lease payable, due in more than one year	124,740
Total noncurrent liabilities	124,740
Total liabilities	181,490
NET POSITION	
Net investment in capital assets	197,344
Unrestricted	387,513
Total net position	\$ 584,857

City of Laguna Niguel
Statement of Revenues, Expenses, and Change in Net Position
Proprietary Fund
Year ended June 30, 2021

	Governmental Activities - Internal Service Fund
	Vehicle Replacement Fund
OPERATING EXPENSES:	
Depreciation expense	\$ 140,666
Total Operating Expenses	140,666
Operating Income (Loss)	(140,666)
NONOPERATING REVENUES (EXPENSES):	
Gain on sale of capital assets	130,909
Interest revenue (loss)	(29,924)
Interest expense related to lease payable	(22,892)
Total Nonoperating Revenues (Expenses)	78,093
LOSS BEFORE TRANSFERS	(62,573)
TRANSFERS:	
Transfer in	11,050
CHANGE IN NET POSITION	(51,523)
Net Position:	
Beginning of Year	636,380
End of Year	\$ 584,857

City of Laguna Niguel
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2021

	Governmental Activities - Internal Service Fund
	Vehicle Replacement Fund
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfers in from other funds	\$ 11,050
Net cash provided by noncapital and related financing activities	11,050
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(143,469)
Repayment of capital leases	(131,325)
Interest paid for capital leases	(22,892)
Proceeds from sale of capital assets	174,149
Net cash (used in) capital and related financing activities	(123,537)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	(29,924)
Net cash provided by investing activities	(29,924)
Net (decrease) in cash and cash equivalents	(142,411)
CASH AND CASH EQUIVALENTS:	
Beginning of year	401,004
End of year	\$ 258,593
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Operating (loss)	\$ (140,666)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	140,666
Total adjustments	140,666
Net cash provided by (used in) operating activities	\$ -

There were no significant noncash capital, financing and investing activities during the year ended June 30, 2021.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

The basic financial statements of the City of Laguna Niguel, California (the "City") are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City was incorporated on December 1, 1989 under the general laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The City operates under a council-manager form of government and currently provides public safety, animal control, planning, building, code enforcement, engineering, street and park maintenance, street lighting, parks and recreation programs and general administrative services.

This report includes all fund types of the City (the "primary government"). The City does not include any component units for the fiscal year ended June 30, 2021. Component units are entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City is also considered to be financially accountable if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the City.

These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation (Continued)

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated. In the Statement of Activities, direct expenses (charges based on actual use) are not eliminated, whereas indirect expense allocations made in the funds are reversed. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor governmental funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recognized as soon as they are both "measurable" and "available". Revenues are considered to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

- General Fund - The City's primary operating fund that accounts for all financial resources of the general government except those required to be accounted for in another fund.
- Miscellaneous Grants Special Revenue Fund - Accounts for revenues received and expenditures made for various City projects with funding provided by federal and state grants.
- City Capital Projects Fund - Accounts for the expenditures relating to the City's individual capital projects.

Additionally, the City reports nonmajor governmental funds. These nonmajor governmental funds are Special Revenue Funds which account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Internal Service Fund is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City's Internal Service Fund includes one individual fund which provides services directly to other City funds.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following proprietary fund:

- Vehicle Replacement Internal Service Fund - Accounts for interdepartmental operations where it is the stated intent that costs of replacing vehicles to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

C. Cash and Cash Equivalents (Continued)

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in fair value because of changes in interest rates. Cash equivalents generally have an original maturity date of three months or less from the date of purchase. Cash equivalents generally have an original maturity date of three months or less from the date of purchase. Cash equivalents also represent the proprietary fund's share in the cash and investments pool of the City.

D. Investments

Investments are reported in the accompanying financial statements at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except for investment income associated with funds not legally required to receive pooled investment income, which has been assigned to and recorded as revenue of the General Fund, as provided by California Government Code 53647.

E. Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities, either directly or indirectly and fair value is determined through the use of the models and other valuation methodologies including:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in markets that are inactive;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

E. Fair Value Measurements (Continued)

- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

F. Receivables

Receivables include such items as taxes, intergovernmental revenues, charges for services, miscellaneous accounts receivable, and interest receivable. No allowance for doubtful accounts has been established, as the City believes all amounts are considered to be collectible in the normal course of business.

G. Prepaid Items and Deposits

Prepaid items are payments made to vendors for services that will benefit periods beyond the fiscal year ended using purchase method. Deposits are payments made as a security or in part payment.

A nonspendable fund balance has been reported in the governmental funds to show that prepaid items and deposits do not constitute “available spendable resources”, even though they are a component of net current assets.

H. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost not available. Contributed capital assets are valued at their acquisition value on the date of acquisition. The City’s policy is to capitalize all assets with an initial, individual cost equal to or more than \$5,000 with a useful life of more than one year.

Capital assets, which include land, buildings and building improvements, park improvements, swimming pool, furniture and equipment, software, vehicles, constructions in progress and infrastructure assets (street systems, storm drains, bridges, etc.), are reported in the governmental activities column of the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation has been provided on capital assets in the government-wide financial statements. Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the Statement of Net Position as a reduction in the book value of capital assets. Depreciation is reported using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

The City has assigned the useful lives listed below to capital assets:

<u>Asset Type</u>	<u>Useful Lives (Years)</u>
Curbs, gutters, sidewalks, catch basins, and manholes	100
Streets, street lights, storm drains, tunnels, and bridges	75
Buildings and building improvements	15-45
Swimming pool and improvements	15-25
Park improvements	10-25
Furniture and equipment	3-15
Vehicles	3-10
Software	10

I. Deferred Outflows and Inflows of Resources

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expenditure) until that time. The City has two items that qualify for reporting in this category. The items are deferred outflows related to pensions and deferred outflows related to OPEB.

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three types of items which qualify for reporting in this category. Two of the items are deferred inflows related to pensions and deferred inflows related to OPEB, which are presented on the government-wide statement of net position. The third item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from accounts, taxes and grant receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System ("CalPERS"). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

J. Pension Plans (Continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and inflows of resources related to pensions and are to be recognized in further pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period. The net pension liability is generally liquidated by the General Fund.

K. Other Postemployment Benefits Plan

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The following timeframes are reported OPEB reporting:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. Gain and loss are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period. Other postemployment benefits are generally liquidated by the General Fund.

L. Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 a.m. on the first day of January preceding the fiscal year for which the taxes are levied. Taxes are levied on July 1 and cover the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year, and are delinquent, if unpaid, on August 31.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

M. Compensated Absences

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave, and 0%-50% of the value of unused sick leave depending on length of service and date of hire.

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payments, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

N. Net Position and Fund Balances

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets and retention payable.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of the net position.

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable – Nonspendable fund balances are items that are not expected to be converted to cash, such as prepaid items and deposits, or items that are required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by external resources providers, such as grant providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

N. Net Position and Fund Balances (Continued)

Committed – Committed fund balances include amounts that can be used only for the specific purposes determined by formal action of the government’s highest level of decision making authority, i.e. adoption of the annual City Financial Reserves Policy and resolutions. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The City Council is considered the highest authority for the City. Commitments of fund balance are specified in the City’s Financial Reserves Policy, which is reviewed and amended as appropriate on an annual basis by the City Council.

Assigned – Assigned fund balances comprise amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City Council is the body authorized to assign amounts to a specific purpose. In governmental funds, other than the General Fund, assigned fund balance represents all amounts that are not classified as restricted or committed. Resources in governmental funds other than the General Fund are to be used for the specific purpose of that fund.

Unassigned – Unassigned fund balance is a residual (surplus) classification used for the General Fund only and includes amounts not contained in the other classifications. Unassigned amounts in the General Fund are available for any purpose. If a governmental fund, other than the General Fund, has a fund balance deficit, it will be reported as a negative amount in the unassigned classification in that fund.

Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City’s policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which all restricted, committed, assigned, and unassigned fund balances are available, the City’s policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance:

- Restricted
- Committed
- Assigned
- Unassigned

O. Use of Estimates

The preparation of basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(2) Stewardship, Compliance and Accountability

Deficit Fund Balance

The following funds had a deficit fund balance at June 30, 2021:

Special Revenue Funds:	
CDBG	\$ (6,740)
Miscellaneous Grants	(51,737)

Fund deficit in the CDBG Special Revenue Fund is the result of unavailable revenue at June 30, 2021 and will be eliminated upon receipt of the reimbursements in the following fiscal year. Fund deficit in the Miscellaneous Grants Special Revenue Fund is the result of expenditures incurred during the fiscal year that have not been reimbursed since the grant is on-going.

(3) Cash and Investments

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds.

The City had the following cash and investments at June 30, 2021:

	Governmental Activities
Cash and investments	<u><u>\$ 59,285,625</u></u>

The City's cash and investments at June 30, 2021 in more detail:

Cash and cash equivalents:	
Cash on hand	\$ 2,800
Demand deposits	298,962
Cash with fiscal agent	87,312
Total cash and cash equivalents	<u>389,074</u>
Investments:	
Federal Government Agency Securities	16,317,719
Money Market Mutual Fund	1,085,596
State Local Agency Investment Fund (LAIF)	32,283,991
Orange County Investment Pool (OCIP)	8,517,206
PARS Pooled 115 Trust	692,039
Total investments	<u>58,896,551</u>
Total cash and investments	<u><u>\$ 59,285,625</u></u>

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(3) Cash and Investments (Continued)

A. Demand Deposits

The carrying amounts of the City's deposits were \$298,962 at June 30, 2021. Bank balances at that date were \$344,048, the total amount of which was collateralized or insured with accounts held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds deposited in escrow which were required by construction projects. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances.

B. Investments Authorized by California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investments in One Issuer</u>
U.S. Treasury Obligations	5 Years	None	None
Federal Agency Securities or U.S. Government Sponsored Enterprise Securities	5 Years	60%	25%
State Local Agency Investment Fund (LAIF)	N/A	55%*	\$40 million
Insured Certificates of Deposits	5 Years	30%	\$250,000
Insured Money Market Accounts	N/A	None	None
Money Market Mutual Funds	N/A	20%	10%
Orange County Investment Pool (OCIP)	N/A	20%*	\$15 million*

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(3) Cash and Investments (Continued)

C. Fair Value Measurement Disclosure

At June 30, 2021, investments are reported at fair value. The following table presents the fair value measurements of investments on a recurring basis and the levels with GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2021:

Investment Type	Measurement Inputs			Uncategorized	Total
	Level 1	Level 2	Level 3		
Federal Government Agency Securities	\$ -	16,317,719	-	-	16,317,719
Money Market Mutual Fund	-	-	-	1,085,596	1,085,596
Orange County Investment Pool (OCIP)	-	-	-	8,517,206	8,517,206
PARS Pooled 115 Trust	-	-	-	692,039	692,039
State Local Agency Investment Fund (LAIF)	-	-	-	32,283,991	32,283,991
Total	\$ -	16,317,719	-	42,578,832	58,896,551

D. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (In Months)			Total
	12 Months or Less	13-24 Months	25-60 Months	
Federal Government Agency Securities	\$ -	1,000,000	15,317,719	16,317,719
Money Market Mutual Fund	1,085,596	-	-	1,085,596
Orange County Investment Pool (OCIP)	8,517,206	-	-	8,517,206
PARS Pooled 115 Trust	692,039	-	-	692,039
State Local Agency Investment Fund (LAIF)	32,283,991	-	-	32,283,991
Total	\$ 42,578,832	1,000,000	15,317,719	58,896,551

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(3) Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, and the actual rating as of the fiscal year end for each investment type:

<u>Investment Type</u>	<u>Legal Rating</u>	<u>AAA</u>	<u>Not Rated</u>	<u>Total as of June 30, 2021</u>
Federal Government Agency Securities	N/A	\$ 16,317,719	-	16,317,719
Money Market Mutual Fund	N/A	1,085,596	-	1,085,596
Orange County Investment Pool (OCIP)	N/A	-	8,517,206	8,517,206
PARS Pooled 115 Trust	N/A	-	692,039	692,039
State Local Agency Investment Fund (LAIF)	N/A	-	32,283,991	32,283,991
Total		<u>\$ 17,403,315</u>	<u>41,493,236</u>	<u>58,896,551</u>

Concentration of Credit Risk

The investment policy of the City contains a limitation on the amount that can be invested in any one issuer of Federal Agency securities to a maximum of 25% of total investments. The City was in compliance with this limitation at June 30, 2021, and throughout the fiscal year.

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Home Loan Mortgage Corporation	Federal Government Agency Securities	\$5,126,270
Federal National Mortgage Association	Federal Government Agency Securities	9,571,153

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than as follows. The California Government Code requires that a financial institution secure deposit made by state or local governmental units by

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(3) Cash and Investments (Continued)

D. Risk Disclosures (Continued)

pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the City. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the secured City deposits. The City's investment policy requires delivery versus payment procedures and that all securities be held in third-party safekeeping by a custodial financial institution.

As of June 30, 2021, all of the City's deposits with financial institutions in excess of Federal depository insurance limits were collateralized by an interest in an undivided collateral pool as required by State law. In addition, all investments were held by the third-party safekeeping institution.

E. Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The City investments in LAIF at June 30, 2021 included a portion of pool funds invested in Structured Notes and Asset-Backed Securities.

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2021, the City had \$32,283,991 invested in LAIF, which had invested 2.31% of the pool investment funds in Structured Notes and Asset-Backed Securities.

F. Investment in Orange County Investment Pool

The City is a participant in the County Treasurer's Orange County Investment Pool (OCIP). The OCIP is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP at June 30, 2021, is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the OCIP, refer to the County of Orange Annual Comprehensive Financial Report.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(3) Cash and Investments (Continued)

G. Investment in Public Agency Retirement Services

The City established an Internal Revenue Services Section 115 irrevocable trust with the Public Agency Retirement Services (PARS) for the purposes of funding pension obligations. PARS is an external investment pool, is not rated and is not registered with the Securities Exchange Commission. The City selects the investment strategy and the pool is managed by the PARS Board. The fair value of the City's investments in the pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by PARS for the entire PARS portfolio.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(4) Capital Assets

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

	Balance July 1, 2020	Additions	Deletions	Reclassification	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 271,068,667	-	-	-	271,068,667
Construction in progress	39,519,026	1,231,125	(3,356,858)	(34,326,676)	3,066,617
Total capital assets, not being depreciated	310,587,693	1,231,125	(3,356,858)	(34,326,676)	274,135,284
Capital assets, being depreciated:					
Infrastructure	350,486,795	-	-	-	350,486,795
Buildings/building improvements	48,523,889	-	(299,954)	31,889,971	80,113,906
Improvements other than buildings	1,702,728	-	-	150,273	1,853,001
Park improvements	45,439,387	-	(518,637)	2,286,432	47,207,182
Swimming Pool	2,536,374	-	(1,771,082)	-	765,292
Furniture and equipment	1,236,409	14,917	(19,995)	-	1,231,331
Software	424,269	-	-	-	424,269
Vehicles	1,083,052	251,450	(210,201)	-	1,124,301
Total capital assets, being depreciated	451,432,903	266,367	(2,819,869)	34,326,676	483,206,077
Less accumulated depreciation:					
Infrastructure	(130,007,539)	(4,555,946)	-	-	(134,563,485)
Buildings/building improvements	(14,234,220)	(1,103,871)	159,975	-	(15,178,116)
Improvements other than buildings	(54,614)	(113,516)	-	-	(168,130)
Park improvements	(24,667,470)	(1,513,619)	367,007	-	(25,814,082)
Swimming Pool	(2,170,096)	(54,742)	1,687,825	-	(537,013)
Furniture and equipment	(772,284)	(70,481)	9,498	-	(833,267)
Software	(206,796)	(42,427)	-	-	(249,223)
Vehicles	(771,762)	(140,666)	166,961	-	(745,467)
Totals accumulated depreciation	(172,884,781)	(7,595,268)	2,391,266	-	(178,088,783)
Total capital assets, being depreciated, net	278,548,122	(7,328,901)	(428,603)	34,326,676	305,117,294
Governmental activities capital assets, net	\$ 589,135,815	(6,097,776)	(3,785,461)	-	579,252,578

In Fiscal Year 2020-2021, the City expensed certain capitalized items from Construction in Progress upon completion of a major project. Infrastructure assets comprise a significant portion of capital assets. Infrastructure assets are further identified by type as follows:

	Balance June 30, 2020	Additions	Deletions	Reclassification	Balance June 30, 2021
Infrastructure assets:					
Streets	\$ 306,019,176	-	-	-	306,019,176
Storm drains	21,301,683	-	-	-	21,301,683
Traffic signals	10,340,486	-	-	-	10,340,486
Bridges	5,625,168	-	-	-	5,625,168
Trails	7,200,282	-	-	-	7,200,282
Total Infrastructure assets	350,486,795	-	-	-	350,486,795
Less accumulated depreciation for:					
Streets	(112,225,918)	(3,922,019)	-	-	(116,147,937)
Storm drains	(10,076,687)	(282,536)	-	-	(10,359,223)
Traffic signals	(3,891,083)	(137,291)	-	-	(4,028,374)
Bridges	(1,963,629)	(93,796)	-	-	(2,057,425)
Trails	(1,850,222)	(120,305)	-	-	(1,970,527)
Total accumulated depreciation	(130,007,539)	(4,555,946)	-	-	(134,563,485)
Total Infrastructure assets, net	\$ 220,479,256	(4,555,946)	-	-	215,923,310

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(4) Capital Assets (Continued)

Depreciation expense was charged to the City's programs as follows:

Governmental Activities	
General government	\$ 581,443
Public safety	56,757
Community development	59,471
Public works	5,454,324
Parks and recreation	1,443,273
Total depreciation expense - governmental activities	\$ 7,595,268

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(5) Interfund Activity

A. Due From and To Other Funds

The composition of interfund balances as of June 30, 2021, is as follows:

	Due To Other Funds	
	Governmental Funds	
	CDBG Special Revenue Fund	
Due From Other Funds	Total	Total
Governmental Funds:		
General Fund	\$ 66,625	66,625

All interfund balances are short-term in nature and are expected to be repaid within one year. The Community Development Block Grant Special Revenue Fund had a negative cash balance at June 30, 2021. This amount has been reclassified as interfund receivables/payables for financial statement purposes.

	Transfers In				
	Governmental Funds			Proprietary Fund	
	General Fund	City Capital Projects	Nonmajor Governmental	Vehicle Replacement Fund	Total
Transfers Out					
Governmental Funds:					
General Fund	\$ -	1,744,555	2,730	-	1,747,285
Miscellaneous Grants Fund	12,575	-	-	-	12,575
Nonmajor Governmental Funds	-	3,112,813	-	11,050	3,123,863
	<u>\$ 12,575</u>	<u>\$ 4,857,368</u>	<u>2,730</u>	<u>11,050</u>	<u>4,883,723</u>

B. Transfers In and Out

Transfers from General Fund and Nonmajor Governmental Funds to City Capital Projects Fund in the amount of \$1,747,285 and \$3,112,813 were to cover capital project expenditures during the fiscal year. These projects are approved through the annual budget process and each project is approved with identified funding sources.

Transfers from Nonmajor Governmental Funds to Vehicle Replacement Fund Proprietary Fund in the amount of \$11,050 was to cover eligible costs under AQMD AB2766 for hybrid vehicles included in the Enterprise Fleet Management lease.

Transfers from the General Fund to the Non-Major Governmental Funds in the amount of \$2,730 was to reimburse the Gas Tax Special Revenue Fund for costs recovered through insurance recoveries.

Transfers from the Miscellaneous Grants Special Revenue Fund to the General Fund in the amount of \$12,575 was to reimburse for expenditures later determined to be funded by grant funding.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(6) Long-Term Liabilities

Summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due within One Year	Due in More Than One Year
Governmental Activities:						
Capital Lease	\$ 157,984	154,831	(131,325)	181,490	56,750	124,740
Compensated absences	670,841	444,313	(374,900)	740,254	436,657	303,597
Total governmental activities	\$ 828,825	599,144	(506,225)	921,744	493,407	428,337

The annual debt service requirements outstanding at June 30, 2021 were as follows:

Fiscal Year Ending	Activities
2022	\$ 67,537
2023	43,338
2024	36,231
2025	36,231
2026	33,033
Subtotal	216,370
Less amount representing interest	(34,880)
Present Value of Future Minimum Lease Payment	\$ 181,490

Compensated Absences

The City uses General Fund to liquidate the compensated absences liabilities.

(7) Liability, Workers' Compensation Plan, and Purchased Insurance

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Primary Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

B. Self-Insurance Programs of the Authority (Continued)

funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$50 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/coverage/risk-sharing-pools/>.

Primary Workers' Compensation Programs

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$75,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2020-21 the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and employer's Liability losses from \$5 million to \$10 million are pooled among members.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

C. Purchased Insurance

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$250,000 deductible. The Authority has an aggregate limit of \$20 million. Each member of the Authority has a \$5 million sub-limit.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City property currently has all-risk property insurance protection in the amount of \$139,404,950. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance

The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City property currently has earthquake protection in the amount of "Non Participant". There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2020-21.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(8) Classification of Fund Balance

Details of the fund balance classifications at June 30, 2021 are as follows:

	General Fund	City Capital Projects	Miscellaneous Grants	Nonmajor Governmental	Totals
Nonspendable					
Prepaid items	\$ 73,785	-	-	-	73,785
Deposits	1,960	-	-	-	1,960
Total nonspendable	<u>75,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,745</u>
Restricted					
General Government	692,039	-	-	-	692,039
Public safety	-	-	-	23,000	23,000
Community development	-	-	-	297,431	297,431
Public works	-	449,285	-	4,890,084	5,339,369
Total restricted	<u>692,039</u>	<u>449,285</u>	<u>-</u>	<u>5,210,515</u>	<u>6,351,839</u>
Committed					
Compensated absences	303,597	-	-	-	303,597
Capital asset replacement	23,620,400	-	-	-	23,620,400
OPEB	1,635,928	-	-	-	1,635,928
Economic uncertainty*	19,669,430	-	-	-	19,669,430
Total restricted	<u>45,229,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,229,355</u>
Assigned					
Continuing appropriations					
Nondepartmental operations	25,462	-	-	-	25,462
Public safety operations	28,962	-	-	-	28,962
Parks and recreation operation	86,682	-	-	-	86,682
Public works operations	38,807	-	-	-	38,807
Capital projects	170,041	-	-	-	170,041
Total assigned	<u>349,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,954</u>
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>(51,737)</u>	<u>(6,740)</u>	<u>(58,477)</u>
Total fund balance	<u>\$ 46,347,093</u>	<u>449,285</u>	<u>(51,737)</u>	<u>5,203,775</u>	<u>51,948,416</u>

*The City Council adopted the Financial Reserves Policy through resolution during the budget adoption process. The City will maintain a committed fund balance for Financial and Economic Uncertainty equal to no less than 50% of annual General Fund operating expenditures. City Council approval shall be required before expending any portion of the committed fund balance for Financial and Economic Uncertainty. Unforeseen circumstances that may require an expenditure of such amounts include, but are not limited to natural disasters, unforeseen deficiencies of a major revenue source, or unexpected operating or capital expenditures.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(9) Jointly Governed Organization

Orange County Fire Authority

In January 1995, the City entered into a joint powers agreement with the cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Garden Grove, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda, and the County of Orange to create the Orange County Fire Authority ("OCFA"). Since the creation of the OCFA, the cities of Laguna Woods, Rancho Santa Margarita, Westminster, Aliso Viejo and Santa Ana joined the OCFA as members eligible for fire protection services. The purpose of the OCFA is to provide for mutual fire protection, prevention and suppression services, and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The OCFA's governing board consists of one representative from each City and two from the County. The operations of the OCFA are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for the cities of Stanton, Tustin, San Clemente, Buena Park, Garden Grove, Seal Beach, Westminster and Santa Ana. The County pays all structural fire fees it collects to the OCFA. The cities of Stanton, Tustin, San Clemente, Buena Park, Garden Grove, Seal Beach, Westminster and Santa Ana are considered "cash contract cities" and accordingly, make cash contributions based on the OCFA's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2021. Upon dissolution of the OCFA, all surplus money and property of the OCFA will be conveyed or distributed to each member in proportion to all funds provided to the OCFA by that member or by the County on behalf of that member during its membership. The OCFA financial statements can be obtained from the OCFA at 1 Fire Authority Road, Irvine, CA 92602.

(10) Defined Benefit Pension Plans

A. General Information about the Pension Plan

Plan Description

The City contributes to CalPERS, a cost-sharing multiple-employer defined pension plan, for its miscellaneous employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from its website under Forms and Publications.

Employees Covered by Benefit Terms

At the June 30, 2020, the following employees were covered by the benefit terms:

	Plans		
	Classic Tier 1	Classic Tier 2	PEPRA
Active employees	31	9	50
Transferred and terminated employees	109	10	40
Retired employees and beneficiaries	51	3	0
Total	191	22	90

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A first tier classic CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least five years of credited service. A second tier classic CalPERS member becomes eligible for service retirement upon attainment of age 60 with at least five years of credited service. A PEPRAs miscellaneous member becomes eligible for service retirement upon attainment of age 62 with at least five years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 12 - 36 months of full-time equivalent monthly pay.

The following are the benefit provisions for each plan:

- Classic Tier 1: 2.0% (at age 55) of the average final 12 months compensation.
- Classic Tier 2: 2.0% (at age 60) of the average final 36 months compensation.
- PEPRAs: 2.0% (at age 62) of the average final 36 months compensation.

Participants are eligible for non-industrial disability retirement if they become disabled and have at least five years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s) or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2.0 percent.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

A. General Information about the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following the notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contributions for the fiscal year ended June 30, 2021 were \$1,120,667.

Actuarial Methods and Assumption Used to Determine Total Pension Liability

For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2020 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

¹ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of protected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions

In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

Asset Class ¹	New Strategic Allocation	Real Return Years 1 – 10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	-	(0.92%)
	<u>100.00%</u>		

¹In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

²An expected inflation of 2.00% used for this period.

³An expected inflation of 2.92% used for this period.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.15%) or one percentage-point higher (8.15%) than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
\$ 14,722,942	9,380,067	4,965,417

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS' financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2019 (MD)	\$ 37,772,190	29,267,873	8,504,317
Balance at June 30, 2020 (MD)	40,149,168	30,769,101	9,380,067
Net changes from 2019-2020	\$ 2,376,978	1,501,228	875,750

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the City's share of contribution.

The City's proportionate share of the net pension liability was as follows:

Proportion - June 30, 2019 (MD)	Miscellaneous 0.21237%
Proportion - June 30, 2020 (MD)	0.22238%
Change - Increase (Decrease)	<u>0.01001%</u>

For the year ended June 30, 2021, the City recognized pension expense in the amount of \$1,843,282.

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The Expected Average Remaining Service Lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the June 30, 2020 measurement period is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired).

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ -	66,902
Differences between Expected and Actual Experience	483,383	-
Differences between Expected and Actual Investment Earnings	278,650	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	457,395
Change in Employer's Proportion	498,677	-
Pension Contributions Made Subsequent to Measurement Date	1,120,667	-
Total	<u>\$ 2,381,377</u>	<u>524,297</u>

Deferred outflows of resources related to pensions resulting from the City's contributions made subsequent to the measurement date in the amount of \$1,120,667 will be recognized as a reduction of the collective net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>June 30</u>	<u>Miscellaneous Plan</u>
2022	\$ 127,744
2023	267,381
2024	207,639
2025	133,649
2026	-
Thereafter	-
	<u>\$ 736,413</u>

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(11) Other Postemployment Benefits

A. General Information About the Other Postemployment Benefits ("OPEB") Plan

Plan Description

The City provides postretirement medical benefits to employees who retire directly from the City under CalPERS under a single employer defined benefit postemployment benefits plan. Eligible retirees can continue participation in the City's medical plans ("PEMHCA"). For miscellaneous retirees, the City contributes up to a capped dollar amount which varies by bargaining unit, medical coverage, and years of service.

Eligibility

Participants directly retire from the City under CalPERS plan at age 50 and 52 for classic members and PEPRAs members, respectively or retire due to disability retirement.

Covered Participants

At June 30, 2021, the measurement date, the following numbers of participants were covered by the benefit terms:

Active employees	82
Inactives currently receiving benefits	18
Inactives entitled to but not yet receiving benefits	26
Total	<u>126</u>

Contributions

The obligation of the City to contribute to the plan is established and may be amended by the City Council. For the year ended June 30, 2021 the City made contributions on a pay-as-you-go basis.

B. Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2021, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Methods and Assumption Used to Determine Total OPEB Liability

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement period, unless otherwise specified:

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(11) Other Postemployment Benefits (Continued)

B. Total OPEB Liability (Continued)

Contribution Policy	No pre-funding
Actuarial Assumptions:	
Discount Rate	2.16%
Inflation	2.75%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2005 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2019 for post-retirement mortality
Salary Increases	3.00%
PEMHCA Minimum Increase	4.25%
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076. Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076.

Change of Assumptions

During the measurement period June 30, 2021, the accounting discount rate decreased from 2.21 percent to 2.16 percent (Bond Buyer 20-Bond Index).

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16%. The discount rate is based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Change in OPEB Liability

	OPEB Liability
Balance at July 1, 2020	\$ 2,481,094
Changes Recognized for the Measurement Period:	
Service Cost	238,974
Interest on the total OPEB Liability	59,282
Changes of assumptions	22,375
Difference between expected and actual experience	-
Benefit payments, including refunds of employee	(75,178)
Net changes during July 1, 2020 to June 30, 2021	<u>245,453</u>
Balance at June 30, 2021 (Measurement Date)	<u><u>\$ 2,726,547</u></u>

Sensitivity of the Total OPEB Liability to Change in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

Plan's Total OPEB Liability/(Asset)		
Discount Rate - 1%	Current Discount	Discount Rate + 1%
(1.16%)	Rate (2.16%)	(3.16%)
\$ 3,238,385	2,726,547	2,326,700

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(11) Other Postemployment Benefits (Continued)

B. Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (Non-Medicare - 6.25% to 3.0% and Medicare - 5.3% to 3.0%) or 1-percentage-point higher (Non-Medicare - 8.25%-5.0% and Medicare -7.3% to 5.0%) than the current healthcare cost trend rates:

Plan's Total OPEB Liability/(Asset)		
Current Trend - 1%	Current Trend	Current Trend + 1%
\$ 2,246,761	2,726,547	3,365,219

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the measurement period ended June 30, 2021, the City recognized OPEB expense of \$365,973. At June 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 136,617	-
Changes in Assumptions	416,458	35,740
Total	\$ 553,075	35,740

The gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 9.9 years, which was determined as of July 1, 2020, the beginning of the measurement period, for employees covered by the OPEB plan benefit terms as of the valuation date.

The amount reported as deferred inflows of resources related to OPEB will be recognized in the future OPEB expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources OPEB Plan
2022	\$ 67,281
2023	67,281
2024	67,281
2025	67,281
2026	67,281
Thereafter	180,930
	\$ 517,335

CITY OF LAGUNA NIGUEL

Notes to the Basic Financial Statements (Continued)

Year ended June 30, 2021

(12) Contingencies

The City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the City that the outcome of the majority of these cases will have no material adverse effect on the financial position of the City.

The City has received State and Federal funds for specific purposes that are subject to review by the grantor agencies. Although such audits could generate expenditures disallowances under the terms of the grants, it is believed that any required reimbursements, if any, will not be material.

(13) Outstanding Commitments

Prior to the end of the fiscal year, the City awarded several consulting and capital project contracts. At June 30, 2021, the unspent balance of the significant contract is as follows:

<u>Project with Outstanding Contract</u>	<u>Balance</u>
Residential Annual Resurfacing Program (Zones 1-2)	<u>\$ 1,561,045</u>
	<u>\$ 1,561,045</u>

(14) COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses and shelter-in-place orders for all, except those deemed essential services. While the business disruption was temporary, there is still considerable uncertainty around the duration of the pandemic. As a result, the outbreak caused uncertainty in the financial markets. Although many of the City's services are considered essential, City facilities were temporarily closed to the public and certain other services transitioned online only. In June 2021, City Hall was reopened to the public for in-person service. The ultimate financial impact and duration cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

City of Laguna Niguel
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
Year ended June 30, 2021

Budgetary Comparison Schedule - General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 36,269,066	38,999,667	40,969,647	1,969,980
Licenses and permits	2,188,800	2,268,800	2,037,023	(231,777)
Intergovernmental	59,000	1,336,357	1,418,949	82,592
Charges for services	769,613	769,613	465,020	(304,593)
Fines and forfeitures	420,000	420,000	302,213	(117,787)
Use of money and property	1,093,970	1,093,970	434,725	(659,245)
Contributions	4,500	4,500	-	(4,500)
Miscellaneous	88,300	88,300	122,880	34,580
Total revenues	40,893,249	44,981,207	45,750,457	769,250
EXPENDITURES:				
Current:				
General government	4,813,351	5,094,943	4,637,532	457,411
Public safety	16,621,303	16,606,294	16,281,019	325,275
Community development	3,006,004	3,120,537	3,311,883	(191,346)
Parks and recreation	4,209,139	4,244,395	3,488,143	756,252
Public works	11,895,877	12,843,741	11,464,123	1,379,618
Capital outlay	147,575	370,716	156,165	214,551
Total expenditures	40,693,249	42,280,626	39,338,865	2,941,761
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	200,000	2,700,581	6,411,592	3,711,011
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	12,575	12,575
Transfers out	(4,200,000)	(4,419,626)	(1,747,285)	2,672,341
Total other financing sources (uses)	(4,200,000)	(4,419,626)	(1,734,710)	2,684,916
NET CHANGE IN FUND BALANCE	(4,000,000)	(1,719,045)	4,676,882	6,395,927
FUND BALANCE:				
Fund balance at beginning of year	41,670,211	41,670,211	41,670,211	-
Fund balance at end of year	\$ 37,670,211	39,951,166	46,347,093	6,395,927

See accompanying notes to required supplementary information.

City of Laguna Niguel
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Miscellaneous Grants Special Revenue Fund
Year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	610,000	108,765	(501,235)
Use of money and property	-	-	1,330	1,330
Total revenues	<u>-</u>	<u>610,000</u>	<u>110,095</u>	<u>(499,905)</u>
EXPENDITURES				
Current:				
Community Development	-	610,000	53,067	556,933
Total expenditures	<u>-</u>	<u>610,000</u>	<u>53,067</u>	<u>556,933</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>57,028</u>	<u>57,028</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(12,575)	(12,575)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(12,575)</u>	<u>(12,575)</u>
NET CHANGE IN FUND BALANCE	-	-	44,453	44,453
FUND BALANCE:				
Fund balance (deficit) at beginning of year	(96,190)	(96,190)	(96,190)	-
Fund balance (deficit) at end of year	<u>\$ (96,190)</u>	<u>(96,190)</u>	<u>(51,737)</u>	<u>44,453</u>

City of Laguna Niguel
Required Supplementary Information (Unaudited)
Notes to the Required Supplementary Information
Year ended June 30, 2021

Note 1 – Budget Policy and Control

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. Annual budgets are adopted for the General Fund, all Special Revenue Funds, and the Capital Projects Fund. The City Manager and Director of Finance prepare and submit a proposed budget to the City Council. The City Council conducts a noticed public hearing to invite public input before the City Council conducts its detailed review of the proposed budget at a special meeting where additional public input is invited. After reviewing the proposed budget and making such revisions that it deems advisable, the City Council approves each year's budget by resolution before the first meeting of the new fiscal year. The City Council has the legal authority to amend the budget at any time during the fiscal year.

The City Manager is authorized to adjust appropriations within or between functions or programs as long as the transfer does not increase the adopted annual budget appropriations. Adjustments to appropriations between funds require City Council approval. Transfers of each or unappropriated fund balance from one fund to another can only be made with City Council's approval. Unexpended appropriations for authorized, but uncompleted, projects in the Capital Improvement Program budget and some unexpended operating appropriations can be carried forward to the next succeeding budget year upon recommendation of the City Manager. All other appropriations lapse at the end of the fiscal year. Total appropriations approved for the fiscal year ended June 30, 2021, less prior year carryovers, were \$54,990,046.

Note 2 – Excess of expenditures over appropriations

For the year ended June 30, 2021, expenditures exceeded appropriations in the community development department (the legal level of budgetary control) of the general fund by \$191,346.

City of Laguna Niguel
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
Year ended June 30, 2021

Measurement period	June 30, 2014 ¹	June 30, 2015	June 30, 2016	June 30, 2017
City's Proportion of the Net Pension Liability	0.07294%	0.06905%	0.07545%	0.07849%
City's Proportionate Share of the Net Pension Liability	\$ 4,538,778	\$ 4,739,802	\$ 6,528,796	\$ 7,784,390
City's Covered Payroll	\$ 5,358,655	\$ 5,256,476	\$ 5,508,425	\$ 5,759,712
City's Proportionate Share of the Net Pension Liability as a percentage of Covered Payroll	84.70%	90.17%	118.52%	135.15%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	83.03%	83.02%	78.49%	77.30%

Measurement period	June 30, 2018	June 30, 2019	June 30, 2020
City's Proportion of the Net Pension Liability	0.07924%	0.08299%	0.08621%
City's Proportionate Share of the Net Pension Liability	\$ 7,635,951	\$ 8,504,317	\$ 9,380,067
City's Covered Payroll	\$ 6,079,244	\$ 6,140,757	\$ 6,447,797
City's Proportionate Share of the Net Pension Liability as a percentage of Covered Payroll	125.61%	138.49%	145.48%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	78.97%	77.49%	77.71%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

Notes to Schedules:

Change in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a Golden Handshakes). Employers that have done so may need to report

Changes of Assumptions: None in 2020 and 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

City of Laguna Niguel
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pension
Year ended June 30, 2021

Fiscal year	2013-14 ¹	2014-15	2015-16	2016-17
Actuarially determined contribution:				
Miscellaneous Tier 1 Plan	\$ 520,739	\$ 496,258	\$ 342,524	\$ 322,907
Miscellaneous Tier 2 Plan	40,763	52,805	58,843	81,272
Miscellaneous PEPRA	10,164	27,511	52,055	73,523
Total actuarially determined contribution	<u>571,666</u>	<u>576,574</u>	<u>453,422</u>	<u>477,702</u>
Contribution in relation to the actuarially determined contribution	<u>571,666</u>	<u>576,574</u>	<u>453,422</u>	<u>710,160</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (232,458)</u>
Covered payroll	\$ 5,358,655	\$ 5,256,476	\$ 5,508,425	\$ 5,759,712
Contributions as a percentage of covered payroll	10.67%	10.97%	8.23%	12.33%
Fiscal year	2017-18	2018-19	2019-20	2020-21
Actuarially determined contribution:				
Miscellaneous Tier 1 Plan	\$ 260,533	\$ 777,461	\$ 862,885	\$ 790,976
Miscellaneous Tier 2 Plan	88,913	82,534	118,559	119,672
Miscellaneous PEPRA	122,796	82,944	116,294	210,519
Total actuarially determined contribution	<u>472,242</u>	<u>942,939</u>	<u>1,097,738</u>	<u>1,121,167</u>
Contribution in relation to the actuarially determined contribution	<u>768,939</u>	<u>920,585</u>	<u>1,035,270</u>	<u>1,120,667</u>
Contribution Deficiency (Excess)	<u>\$ (296,697)</u>	<u>\$ 22,354</u>	<u>\$ 62,468</u>	<u>\$ 500</u>
Covered payroll	\$ 6,079,244	\$ 6,140,757	\$ 6,447,797	\$ 6,234,178
Contributions as a percentage of covered payroll	12.65%	14.99%	16.06%	17.98%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

Notes to Schedule of Plan Contributions

Valuation date 6/30/2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2018 Funding Valuation Report.
Asset valuation method	Market Value of Assets. For details, see June 30, 2018 Funding Valuation Report.
Inflation	2.5%
Salary increases	Varies by Entry Age and Service
Payroll growth	2.75%
Investment rate of return	7.00%, net of pension plan investment and administrative expense; including inflation.
Retirement age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Other information:

For changes to previous year's information, refer to past GASB 68 reports.

Subsequent Event: The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and noninvestment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

City of Laguna Niguel
Required Supplementary Information (Unaudited)
Schedule of the Changes in Total OPEB Liability and Related Ratios
Year ended June 30, 2021

Last Ten Fiscal Years

OTHER POSTEMPLOYMENT BENEFITS PLAN

Measurement period	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Total OPEB liability				
Service cost	\$ 164,308	\$ 159,580	\$ 177,199	\$ 238,974
Interest	52,069	60,500	64,566	59,282
Changes of assumptions	(62,212)	90,002	423,242	22,375
Differences between expected and actual experience	-	-	172,569	-
Benefit payments, including refunds of employee contributions	<u>(36,705)</u>	<u>(44,487)</u>	<u>(48,040)</u>	<u>(75,178)</u>
Net change in total OPEB liability	117,460	265,595	789,536	245,453
Total OPEB liability - beginning	<u>1,308,503</u>	<u>1,425,963</u>	<u>1,691,558</u>	<u>2,481,094</u>
Total OPEB liability - ending (a)	<u>\$ 1,425,963</u>	<u>\$ 1,691,558</u>	<u>\$ 2,481,094</u>	<u>\$ 2,726,547</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered employee-payroll	\$ 5,927,346	\$ 6,140,757	\$ 6,392,532	\$ 6,476,418
Plan net OPEB liability as a percentage of covered employee-payroll	24.06%	27.55%	38.81%	42.10%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable. Additional years of information will be displayed as it becomes available.

Notes to Schedules:

Change in Benefit Terms: There were no changes in the benefit terms.

Changes of Assumptions: In 2021, the discount rate changed from 2.21% to 2.16%.

SUPPLEMENTARY INFORMATION

City of Laguna Niguel
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
City Capital Projects Fund
Year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Capital outlay	\$ 7,180,123	10,099,749	4,913,423	5,186,326
Total expenditures	<u>7,180,123</u>	<u>10,099,749</u>	<u>4,913,423</u>	<u>5,186,326</u>
OTHER FINANCING SOURCES:				
Transfers in	7,180,123	10,099,749	4,857,368	(5,242,381)
Total other financing sources	<u>7,180,123</u>	<u>10,099,749</u>	<u>4,857,368</u>	<u>(5,242,381)</u>
NET CHANGE IN FUND BALANCE	\$ -	-	(56,055)	(56,055)
FUND BALANCE:				
Beginning of year	505,340	505,340	505,340	-
End of year	<u>\$ 505,340</u>	<u>505,340</u>	<u>449,285</u>	<u>(56,055)</u>

City of Laguna Niguel
Nonmajor Governmental Funds
Year ended June 30, 2021

Special Revenue Funds

State Gasoline Tax Fund ("Gas Tax") – Accounts for revenues received and expenditures made for general street maintenance. Financing is provided by the City's share of state gasoline taxes collected under the Street and Highway Code, Sections 2103, 2105, 2106, 2107 and 2107.5, as well as the Road Maintenance and Rehabilitation Account funding (SB1).

Measure "M" - Accounts for revenues received and expenditures made for various City transportation projects fully or partially funded by Orange County Transportation Authority grants and County 1/2 cent local fair share sales tax apportionments.

Air Quality Improvement Fund – Accounts for revenues received under AB2766 and expenditures made for air quality improvements. AB2766 was enacted to authorize air pollution control districts to impose fees on motor vehicles. The California Department of Motor Vehicles collects the fees by assessing an amount on each registered vehicle in the South Coast District. This fee is distributed by the South Coast Air Quality Management District to local governments on a prorated basis based on population in the area.

Law Enforcement Fund – Accounts for various law enforcement revenues received and expenditures made for certain law enforcement and crime prevention expenditures for Police Services. Funding is provided by the State of California's Citizens' Option for Public Safety ("COPS") program.

Community Development Block Grant Fund – Accounts for revenues received and expenditures made for Community Development Block Grant eligible grants and capital projects. Funding is provided by the U.S. Department of Housing and Urban Development.

Senior Transportation Fund – Accounts for the proceeds and outlays as designated in the Senior Mobility Program (SMP), which is funded through the Orange County Transportation Authority from the County's local 1/2-cent transportation sales tax measure.

City of Laguna Niguel
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds			
	Gas Tax	Measure "M"	Air Quality Improvement	Law Enforcement
ASSETS				
Cash and investments	\$ 1,918,412	2,334,200	436,810	35,500
Receivables:				
Accounts	99	-	-	-
Taxes	220,654	-	-	-
Interest	1,001	1,482	-	-
Due from other governments	-	575,625	21,686	61,285
Total assets	<u>\$ 2,140,166</u>	<u>2,911,307</u>	<u>458,496</u>	<u>96,785</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 205,914	-	35,135	12,500
Due to other funds	-	-	-	-
Total liabilities	<u>205,914</u>	<u>-</u>	<u>35,135</u>	<u>12,500</u>
Deferred Inflows of Resources:				
Unavailable revenues	99	378,737	-	61,285
Total deferred inflows of resources	<u>99</u>	<u>378,737</u>	<u>-</u>	<u>61,285</u>
Fund balances:				
Restricted for:				
Public safety	-	-	-	23,000
Community development	-	-	-	-
Air quality improvement	-	-	423,361	-
Public works	1,934,153	2,532,570	-	-
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,934,153</u>	<u>2,532,570</u>	<u>423,361</u>	<u>23,000</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,140,166</u>	<u>2,911,307</u>	<u>458,496</u>	<u>96,785</u>

City of Laguna Niguel
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Community Development Block Grant	Senior Transportation	
ASSETS			
Cash and investments	-	283,967	5,008,889
Receivables:			
Accounts	-	-	99
Taxes	-	-	220,654
Interest	-	-	2,483
Due from other governments	155,459	13,538	827,593
Total assets	<u>155,459</u>	<u>297,505</u>	<u>6,059,718</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	88,834	74	342,457
Due to other funds	66,625	-	66,625
Total liabilities	<u>155,459</u>	<u>74</u>	<u>409,082</u>
Deferred Inflows of Resources:			
Unavailable revenues	6,740	-	446,861
Total deferred inflows of resources	<u>6,740</u>	<u>-</u>	<u>446,861</u>
Fund balances:			
Restricted for:			
Public safety	-	-	23,000
Community development	-	297,431	297,431
Air quality improvement	-	-	423,361
Public works	-	-	4,466,723
Unassigned (deficit)	<u>(6,740)</u>	<u>-</u>	<u>(6,740)</u>
Total fund balances	<u>(6,740)</u>	<u>297,431</u>	<u>5,203,775</u>
Total liabilities, deferred inflows of resources and fund balances	<u>155,459</u>	<u>297,505</u>	<u>6,059,718</u>

City of Laguna Niguel
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year ended June 30, 2021

	Special Revenue Funds			
	Gas Tax	Measure "M"	Air Quality Improvement	Law Enforcement
REVENUES:				
Intergovernmental	\$ 2,644,454	1,223,458	85,288	157,389
Use of money and property	752	598	-	165
Total revenues	<u>2,645,206</u>	<u>1,224,056</u>	<u>85,288</u>	<u>157,554</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	150,000
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Public works	902,386	-	40,547	-
Total expenditures	<u>902,386</u>	<u>-</u>	<u>40,547</u>	<u>150,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,742,820</u>	<u>1,224,056</u>	<u>44,741</u>	<u>7,554</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,730	-	-	-
Transfers out	(1,777,947)	(1,047,055)	(229,813)	-
Total other financing sources (uses)	<u>(1,775,217)</u>	<u>(1,047,055)</u>	<u>(229,813)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(32,397)	177,001	(185,072)	7,554
FUND BALANCES:				
Fund balance (deficit) at beginning of year	1,966,550	2,355,569	608,433	15,446
Fund balance (deficit) at end of year	<u>\$ 1,934,153</u>	<u>2,532,570</u>	<u>423,361</u>	<u>23,000</u>

City of Laguna Niguel
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year ended June 30, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Community Development Block Grant	Senior Transportation	
REVENUES:			
Intergovernmental	311,013	80,690	4,502,292
Use of money and property	-	428	1,943
Total revenues	<u>311,013</u>	<u>81,118</u>	<u>4,504,235</u>
EXPENDITURES:			
Current:			
Public safety	-	-	150,000
Community development	191,016	-	191,016
Parks and recreation	-	490	490
Public works	-	-	942,933
Total expenditures	<u>191,016</u>	<u>490</u>	<u>1,284,439</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>119,997</u>	<u>80,628</u>	<u>3,219,796</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	2,730
Transfers out	<u>(69,048)</u>	<u>-</u>	<u>(3,123,863)</u>
Total other financing sources (uses)	<u>(69,048)</u>	<u>-</u>	<u>(3,121,133)</u>
NET CHANGES IN FUND BALANCES	50,949	80,628	98,663
FUND BALANCES:			
Fund balance (deficit) at beginning of year	<u>(57,689)</u>	<u>216,803</u>	<u>5,105,112</u>
Fund balance (deficit) at end of year	<u>(6,740)</u>	<u>297,431</u>	<u>5,203,775</u>

City of Laguna Niguel
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
Year ended June 30, 2021

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 2,565,258	2,565,258	2,644,454	79,196
Use of money and property	22,000	22,000	752	(21,248)
Total revenues	<u>2,587,258</u>	<u>2,587,258</u>	<u>2,645,206</u>	<u>57,948</u>
EXPENDITURES				
Current:				
Public works	<u>1,053,000</u>	<u>1,053,000</u>	<u>902,386</u>	<u>150,614</u>
Total expenditures	<u>1,053,000</u>	<u>1,053,000</u>	<u>902,386</u>	<u>150,614</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,534,258</u>	<u>1,534,258</u>	<u>1,742,820</u>	<u>(92,666)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(1,777,947)</u>	<u>222,053</u>
Total other financing sources (uses)	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(1,775,217)</u>	<u>224,783</u>
NET CHANGE IN FUND BALANCE	(465,742)	(465,742)	(32,397)	433,345
FUND BALANCE:				
Fund balance (deficit) at beginning of year	<u>1,966,550</u>	<u>1,966,550</u>	<u>1,966,550</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 1,500,808</u>	<u>1,500,808</u>	<u>1,934,153</u>	<u>433,345</u>

City of Laguna Niguel
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Measure "M" Special Revenue Fund
Year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,058,306	1,058,306	1,223,458	165,152
Use of money and property	10,000	10,000	598	(9,402)
Total revenues	<u>1,068,306</u>	<u>1,068,306</u>	<u>1,224,056</u>	<u>155,750</u>
OTHER FINANCING USES:				
Transfers out	<u>(350,000)</u>	<u>(3,050,000)</u>	<u>(1,047,055)</u>	<u>2,002,945</u>
Total other financing uses	<u>(350,000)</u>	<u>(3,050,000)</u>	<u>(1,047,055)</u>	<u>2,002,945</u>
NET CHANGE IN FUND BALANCE	718,306	(1,981,694)	177,001	2,158,695
FUND BALANCE:				
Fund balance (deficit) at beginning of year	<u>2,355,569</u>	<u>2,355,569</u>	<u>2,355,569</u>	<u>-</u>
Fund balance (deficit) at end of year	<u><u>\$ 3,073,875</u></u>	<u><u>373,875</u></u>	<u><u>2,532,570</u></u>	<u><u>2,158,695</u></u>

City of Laguna Niguel
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Air Quality Improvement Special Revenue Fund
Year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 80,000	80,000	85,288	5,288
Use of money and property	8,000	8,000	-	(8,000)
Total revenues	<u>88,000</u>	<u>88,000</u>	<u>85,288</u>	<u>(2,712)</u>
EXPENDITURES				
Current:				
Public works	52,520	52,520	40,547	11,973
Total expenditures	<u>52,520</u>	<u>52,520</u>	<u>40,547</u>	<u>11,973</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>35,480</u>	<u>35,480</u>	<u>44,741</u>	<u>9,261</u>
OTHER FINANCING USES:				
Transfers out	(362,001)	(362,001)	(229,813)	132,188
Total other financing uses	<u>(362,001)</u>	<u>(362,001)</u>	<u>(229,813)</u>	<u>132,188</u>
NET CHANGE IN FUND BALANCE	(326,521)	(326,521)	(185,072)	141,449
FUND BALANCE:				
Fund balance (deficit) at beginning of year	608,433	608,433	608,433	-
Fund balance (deficit) at end of year	<u>\$ 281,912</u>	<u>281,912</u>	<u>423,361</u>	<u>141,449</u>

City of Laguna Niguel
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Law Enforcement Special Revenue Fund
Year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 150,000	150,000	157,389	7,389
Use of money and property	500	500	165	(335)
Total revenues	<u>150,500</u>	<u>150,500</u>	<u>157,554</u>	<u>7,054</u>
EXPENDITURES				
Current:				
Public safety	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>500</u>	<u>500</u>	<u>7,554</u>	<u>7,054</u>
NET CHANGE IN FUND BALANCE	500	500	7,554	7,054
FUND BALANCE:				
Fund balance (deficit) at beginning of year	<u>15,446</u>	<u>15,446</u>	<u>15,446</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 15,946</u>	<u>15,946</u>	<u>23,000</u>	<u>7,054</u>

City of Laguna Niguel
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
Year ended June 30, 2021

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 380,408	931,939	311,013	(620,926)
Total revenues	<u>380,408</u>	<u>931,939</u>	<u>311,013</u>	<u>(620,926)</u>
EXPENDITURES				
Current:				
Community development	86,400	637,931	191,016	446,915
Total expenditures	<u>86,400</u>	<u>637,931</u>	<u>191,016</u>	<u>446,915</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>294,008</u>	<u>294,008</u>	<u>119,997</u>	<u>(174,011)</u>
OTHER FINANCING USES:				
Transfers out	(294,008)	(294,008)	(69,048)	224,960
Total other financing uses	<u>(294,008)</u>	<u>(294,008)</u>	<u>(69,048)</u>	<u>224,960</u>
NET CHANGE IN FUND BALANCE	-	-	50,949	50,949
FUND BALANCE:				
Fund balance (deficit) at beginning of year	(57,689)	(57,689)	(57,689)	-
Fund balance (deficit) at end of year	<u>\$ (57,689)</u>	<u>(57,689)</u>	<u>(6,740)</u>	<u>50,949</u>

City of Laguna Niguel
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Senior Transportation Special Revenue Fund
Year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 76,000	76,000	80,690	4,690
Use of money and property	2,800	2,800	428	(2,372)
Total revenues	<u>78,800</u>	<u>78,800</u>	<u>81,118</u>	<u>2,318</u>
EXPENDITURES				
Current:				
Parks and recreation	78,800	78,800	490	78,310
Total expenditures	<u>78,800</u>	<u>78,800</u>	<u>490</u>	<u>78,310</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>80,628</u>	<u>80,628</u>
NET CHANGE IN FUND BALANCE	-	-	80,628	80,628
FUND BALANCE:				
Fund balance (deficit) at beginning of year	216,803	216,803	216,803	-
Fund balance (deficit) at end of year	<u>\$ 216,803</u>	<u>216,803</u>	<u>297,431</u>	<u>80,628</u>

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STATISTICAL SECTION
(UNAUDITED)

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City of Laguna Niguel
Statistical Section Overview
(Unaudited)

This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends Information - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	93
Revenue Capacity Information - These schedules contain information to help the reader assess the City’s most significant local revenue source, property taxes.	101
Debt Capacity Information -These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	107
Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	110
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	116

City of Laguna Niguel
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
Governmental activities:					
Net investment in capital assets	\$ 550,198,842	\$ 553,534,310	\$ 555,099,763	\$ 563,204,034	\$ 564,600,741
Restricted:					
Public safety	\$ 279,242	\$ 280,129	\$ 290,147	\$ 66,898	\$ 85,186
Public works	-	-	-	-	-
Streets	856,606	782,342	821,234	403,095	290,728
Community development	15	-	303,007	143,890	590,853
Parks and recreation	-	-	-	-	-
Air quality improvement	295,413	300,312	275,453	328,041	400,601
Total restricted	<u>\$ 1,431,276</u>	<u>\$ 1,362,783</u>	<u>\$ 1,689,841</u>	<u>\$ 941,924</u>	<u>\$ 1,367,368</u>
Unrestricted	68,347,126	72,885,016	75,927,923	67,284,805	76,932,061
Total governmental activities net position	<u><u>\$ 619,977,244</u></u>	<u><u>\$ 627,782,109</u></u>	<u><u>\$ 632,717,527</u></u>	<u><u>\$ 631,430,763</u></u>	<u><u>\$ 642,900,170</u></u>

The City does not have any *Business-Type* activities.

Therefore, all governmental activities comprise the primary government of the City of Laguna Niguel.

City of Laguna Niguel
Net Position by Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2017	2018	2019	2020	2021
Governmental activities:					
Net investment in capital assets	\$ 566,781,948	\$ 565,916,027	\$ 579,093,630	\$ 588,977,831	\$ 579,071,088
Restricted:					
Public safety	\$ 71,752	\$ 49,739	\$ 62,619	\$ 72,830	\$ 84,285
Public works	-	-	-	-	-
Streets	142,399	587,123	4,107,797	5,614,824	5,718,205
Community development	440,446	483,737	158,702	216,803	304,171
Parks and recreation	-	-	-	-	-
Air quality improvement	469,297	513,707	565,153	-	-
Total restricted	<u>\$ 1,123,894</u>	<u>\$ 1,634,306</u>	<u>\$ 4,894,271</u>	<u>\$ 5,904,457</u>	<u>\$ 6,106,661</u>
Unrestricted	67,674,106	67,449,901	50,029,493	32,748,312	36,434,282
Total governmental activities net position	<u><u>\$ 635,579,948</u></u>	<u><u>\$ 635,000,234</u></u>	<u><u>\$ 634,017,394</u></u>	<u><u>\$ 627,630,600</u></u>	<u><u>\$ 621,612,031</u></u>

The City does not have any *Business-Type* activities.

Therefore, all governmental activities comprise the primary government of the City of Laguna Niguel.

City of Laguna Niguel
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
Expenses:					
General government	\$ 4,955,909	\$ 3,883,888	\$ 4,260,378	\$ 4,778,543	\$ 5,049,643
Public safety	9,867,718	9,966,910	10,281,721	10,901,896	11,778,228
Community development	3,970,610	3,034,523	3,427,420	3,125,023	3,903,064
Public works	13,434,792	15,665,527	15,547,420	11,462,151	15,402,736
Parks and recreation	4,088,348	4,001,047	4,140,610	8,928,487	5,022,013
Interest expense	-	-	-	-	-
Total expenses	<u>\$ 36,317,377</u>	<u>\$ 36,551,895</u>	<u>\$ 37,657,549</u>	<u>\$ 39,196,100</u>	<u>\$ 41,155,684</u>
Program Revenues:					
Charges for services:					
General government	\$ 3,686	\$ -	\$ -	\$ 10,553	\$ 223,747
Public safety	404,197	232,009	294,535	266,612	297,386
Community development	1,143,063	2,221,118	3,948,178	2,090,366	6,931,625
Parks and recreation	1,107,502	1,098,177	1,095,355	1,051,430	1,087,258
Public works	218,091	17,304	305	16,997	18,389
Operating grants and contributions	3,376,509	5,962,399	3,242,021	2,287,448	2,917,219
Capital grants and contributions	3,848,007	1,308,028	948,880	2,895,963	3,903,895
Total program revenues	<u>\$ 10,101,055</u>	<u>\$ 10,839,035</u>	<u>\$ 9,529,274</u>	<u>\$ 8,619,369</u>	<u>\$ 15,379,519</u>
Net (expenses)/revenues	<u>\$ (26,216,322)</u>	<u>\$ (25,712,860)</u>	<u>\$ (28,128,275)</u>	<u>\$ (30,576,731)</u>	<u>\$ (25,776,165)</u>
General Revenues:					
Taxes:					
Property taxes	\$ 16,820,273	\$ 17,139,167	\$ 17,733,088	\$ 18,840,320	\$ 19,965,053
Sales taxes	11,044,440	10,845,297	11,027,919	11,453,345	12,244,172
Franchise fees	2,320,351	2,301,967	2,368,527	2,518,177	2,519,116
Other taxes	404,659	499,787	526,490	578,597	642,043
Motor vehicle license fee	33,476	34,687	28,707	27,730	26,160
Use of money and property	953,081	542,103	751,894	1,078,795	1,372,860
Other	92,106	2,800,505	627,067	424,658	476,168
Total general revenues	<u>\$ 31,668,386</u>	<u>\$ 34,163,513</u>	<u>\$ 33,063,692</u>	<u>\$ 34,921,622</u>	<u>\$ 37,245,572</u>
Changes in net position	<u>\$ 5,452,064</u>	<u>\$ 8,450,653</u>	<u>\$ 4,935,417</u>	<u>\$ 4,344,891</u>	<u>\$ 11,469,407</u>

The City does not have any *Business-Type* activities.

Therefore, all governmental activities comprise the primary government of the City of Laguna Niguel.

City of Laguna Niguel
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2017	2018	2019	2020	2021
Expenses:					
General government	\$ 4,721,188	\$ 5,105,212	\$ 5,087,668	\$ 6,128,946	\$ 6,163,102
Public safety	13,034,018	14,741,788	15,714,696	16,199,542	16,499,129
Community development	3,125,278	3,370,376	3,225,177	3,652,984	3,812,834
Public works	23,735,075	22,324,184	19,227,179	22,205,098	24,756,891
Parks and recreation	6,655,833	6,707,133	6,049,242	7,079,349	5,400,764
Interest expense	-	-	27,437	26,770	22,892
Total expenses	<u>\$ 51,271,392</u>	<u>\$ 52,248,693</u>	<u>\$ 49,331,399</u>	<u>\$ 55,292,689</u>	<u>\$ 56,655,612</u>
Program Revenues:					
Charges for services:					
General government	\$ -	\$ -	\$ 1,850	\$ 1,675	\$ -
Public safety	334,475	353,257	456,443	336,530	295,071
Community development	2,058,550	6,150,591	2,131,215	2,288,391	1,845,081
Parks and recreation	1,162,176	1,204,757	987,371	660,087	508,182
Public works	33,407	16,776	241,672	209,672	200,655
Operating grants and contributions	2,660,052	3,376,124	4,037,554	4,401,389	5,776,718
Capital grants and contributions	1,387,051	2,126,133	453,036	273,159	463,305
Total program revenues	<u>\$ 7,635,711</u>	<u>\$ 13,227,638</u>	<u>\$ 8,309,141</u>	<u>\$ 8,170,903</u>	<u>\$ 9,089,012</u>
Net (expenses)/revenues	<u>\$ (43,635,681)</u>	<u>\$ (39,021,055)</u>	<u>\$ (41,022,258)</u>	<u>\$ (47,121,786)</u>	<u>\$ (47,566,600)</u>
General Revenues:					
Taxes:					
Property taxes	\$ 20,786,789	\$ 21,968,448	\$ 22,749,160	\$ 23,584,278	\$ 24,630,701
Sales taxes	11,448,371	11,223,516	11,831,049	12,229,918	13,135,671
Franchise fees	2,270,993	2,362,138	2,400,540	2,359,348	2,352,241
Other taxes	625,562	701,611	542,175	589,705	851,034
Motor vehicle license fee	29,631	35,104	31,381	52,828	47,905
Use of money and property	618,864	1,094,790	1,873,121	1,036,458	12,375
Other	535,249	589,613	611,992	882,457	518,104
Total general revenues	<u>\$ 36,315,459</u>	<u>\$ 37,975,220</u>	<u>\$ 40,039,418</u>	<u>\$ 40,734,992</u>	<u>\$ 41,548,031</u>
Changes in net position	<u>\$ (7,320,222)</u>	<u>\$ (1,045,835)</u>	<u>\$ (982,840)</u>	<u>\$ (6,386,794)</u>	<u>\$ (6,018,569)</u>

The City does not have any *Business-Type* activities.

Therefore, all governmental activities comprise the primary government of the City of Laguna Niguel.

City of Laguna Niguel
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
General Fund					
Nonspendable	\$ 369,631	\$ 1,149,113	\$ 1,279,616	\$ 570,062	\$ 250,345
Restricted	-	-	-	-	-
Committed	27,616,266	31,335,413	31,383,297	53,147,941	57,492,610
Assigned	26,900,314	26,625,862	26,859,999	19,787,730	25,158,015
Unassigned	13,381,821	13,734,282	17,581,919	-	-
Total General Fund	<u>\$ 68,268,032</u>	<u>\$ 72,844,670</u>	<u>\$ 77,104,831</u>	<u>\$ 73,505,733</u>	<u>\$ 82,900,970</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 137,000
Restricted	1,431,276	1,362,783	1,689,841	941,924	1,238,087
Unassigned	(624,687)	(2,766,483)	(3,121,116)	(2,651,602)	(3,825,510)
Total all other governmental funds	<u>\$ 806,589</u>	<u>\$ (1,403,700)</u>	<u>\$ (1,431,275)</u>	<u>\$ (1,709,678)</u>	<u>\$ (2,450,423)</u>

City of Laguna Niguel
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2017	2018	2019	2020	2021
General Fund					
Nonspendable	\$ 514,590	\$ 141,903	\$ 909,697	\$ 698,381	\$ 75,745
Restricted	-	-	-	153,013	692,039
Committed	51,733,497	49,216,920	31,822,082	40,818,817	45,229,355
Assigned	21,555,152	24,965,800	24,714,780	-	349,954
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 73,803,239</u>	<u>\$ 74,324,623</u>	<u>\$ 57,446,559</u>	<u>\$ 41,670,211</u>	<u>\$ 46,347,093</u>
All other governmental funds					
Nonspendable	\$ 153,207	\$ 157,740	\$ 145,462	-	\$ 64,900
Restricted	964,646	1,465,968	4,834,624	5,668,141	5,594,900
Unassigned	(1,558,827)	(367,234)	(10,816)	(153,879)	(58,477)
Total all other governmental funds	<u>\$ (440,974)</u>	<u>\$ 1,256,474</u>	<u>\$ 4,969,270</u>	<u>\$ 5,514,262</u>	<u>\$ 5,601,323</u>

City of Laguna Niguel
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
Revenues:					
Taxes	\$ 30,106,150	\$ 30,729,950	\$ 31,813,371	\$ 33,213,255	\$ 35,446,201
Licenses and permits	1,289,809	2,058,568	3,856,232	1,894,529	3,548,393
Intergovernmental	7,516,035	4,519,055	4,478,944	5,314,331	5,590,258
Charges for services	1,100,414	1,098,177	1,095,474	1,128,334	4,105,706
Fines and forfeitures	374,666	231,309	294,321	266,558	297,239
Use of money and property	961,201	539,450	747,079	1,068,984	1,372,862
Developer participation	-	163,250	80,727	185,891	366,129
Contributions	12,155	13,188	9,345	33,960	6,440
Miscellaneous	157,250	2,800,505	597,024	424,658	476,168
Total revenues	<u>41,517,680</u>	<u>42,153,452</u>	<u>42,972,517</u>	<u>43,530,500</u>	<u>51,209,396</u>
Expenditures:					
Current:					
General government	4,514,765	3,641,524	3,370,414	3,840,177	4,134,758
Public safety	9,813,164	9,962,786	10,264,183	10,869,382	11,727,774
Community development	2,826,647	3,022,599	3,402,203	3,104,828	3,909,385
Parks and recreation	3,217,560	3,250,443	3,378,029	3,385,205	3,386,718
Public works	8,181,922	8,775,276	8,984,960	9,142,623	8,644,212
Capital outlay	12,668,248	11,134,475	9,597,265	16,808,664	10,752,057
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>41,222,306</u>	<u>39,787,103</u>	<u>38,997,054</u>	<u>47,150,879</u>	<u>42,554,904</u>
Excess (deficiency) of revenues over (under) expenditures	<u>295,374</u>	<u>2,366,349</u>	<u>3,975,463</u>	<u>(3,620,379)</u>	<u>8,654,492</u>
Other Financing Sources (Uses):					
Transfers in	12,708,765	11,009,755	9,785,587	17,179,568	10,802,763
Transfers out	<u>(12,708,765)</u>	<u>(11,009,755)</u>	<u>(9,785,587)</u>	<u>(17,179,568)</u>	<u>(10,802,763)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 295,374</u>	<u>\$ 2,366,349</u>	<u>\$ 3,975,463</u>	<u>\$ (3,620,379)</u>	<u>\$ 8,654,492</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

City of Laguna Niguel
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2017	2018	2019	2020	2021
Revenues:					
Taxes	\$ 35,577,102	\$ 36,255,713	\$ 37,522,924	\$ 38,763,249	\$ 40,969,647
Licenses and permits	2,052,662	2,841,459	2,346,727	2,426,416	2,037,023
Intergovernmental	6,259,760	6,672,937	4,985,890	4,518,791	6,030,006
Charges for services	1,214,619	4,543,201	989,221	661,762	465,020
Fines and forfeitures	334,394	353,041	460,296	352,064	302,213
Use of money and property	618,870	1,087,116	2,239,707	1,413,887	437,998
Developer participation	-	-	-	-	-
Contributions	9,820	41,153	33,747	19,340	-
Miscellaneous	535,249	589,613	193,546	492,781	122,880
Total revenues	<u>46,602,476</u>	<u>52,384,233</u>	<u>48,772,058</u>	<u>48,648,290</u>	<u>50,364,787</u>
Expenditures:					
Current:					
General government	3,948,320	4,393,163	4,334,859	4,470,422	4,637,532
Public safety	12,665,551	14,595,731	15,627,937	16,118,936	16,431,019
Community development	3,019,055	3,199,919	3,159,263	3,397,810	3,555,966
Parks and recreation	3,873,182	4,065,192	11,085,148	4,619,532	3,488,633
Public works	9,710,338	9,483,108	4,481,142	12,828,535	12,407,056
Capital outlay	20,474,312	14,406,858	23,223,090	22,419,678	5,069,588
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>53,690,758</u>	<u>50,143,971</u>	<u>61,911,439</u>	<u>63,854,913</u>	<u>45,589,794</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,088,282)</u>	<u>2,240,262</u>	<u>(13,139,381)</u>	<u>(15,206,623)</u>	<u>4,774,993</u>
Other Financing Sources (Uses):					
Transfers in	20,246,160	14,477,949	22,769,659	22,095,320	4,872,673
Transfers out	(20,246,160)	(14,499,379)	(22,795,546)	(22,120,053)	(4,883,723)
Total other financing sources (uses)	<u>-</u>	<u>(21,430)</u>	<u>(25,887)</u>	<u>(24,733)</u>	<u>(11,050)</u>
Net change in fund balances	<u>\$ (7,088,282)</u>	<u>\$ 2,218,832</u>	<u>\$ (13,165,268)</u>	<u>\$ (15,231,356)</u>	<u>\$ 4,763,943</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

City of Laguna Niguel
Tax Revenues by Source – Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Taxes		Sales Taxes		Franchise Fees		Other Taxes ¹		Total	
	Actual	% Change	Actual	% Change	Actual	% Change	Actual	% Change	Actual	% Change
2012	16,820,273	0.0%	11,044,440	14.2%	2,320,351	1.9%	397,936	2.6%	30,583,000	4.9%
2013	17,139,167	1.9%	10,845,297	-1.8%	2,301,967	-0.8%	499,787	25.6%	30,786,218	0.7%
2014	17,733,088	3.5%	11,027,919	1.7%	2,368,527	2.9%	526,490	5.3%	31,656,023	2.8%
2015	18,840,320	6.2%	11,453,345	3.9%	2,518,177	6.3%	578,597	9.9%	33,390,439	5.5%
2016	19,965,053	6.0%	12,244,172	6.9%	2,519,116	0.0%	642,043	11.0%	35,370,384	5.9%
2017	20,786,789	4.1%	11,448,371	-6.5%	2,270,993	-9.8%	625,562	-2.6%	35,131,715	-0.7%
2018	21,968,448	5.7%	11,223,516	-2.0%	2,362,138	4.0%	701,611	12.2%	36,255,713	3.2%
2019	22,749,160	3.6%	11,831,049	5.4%	2,400,540	1.6%	542,175	-22.7%	37,522,924	3.5%
2020	23,584,278	3.7%	12,229,918	3.4%	2,359,348	-1.7%	589,705	8.8%	38,763,249	3.3%
2021	24,630,701	4.4%	13,135,671	7.4%	2,352,241	-0.3%	851,034	44.3%	40,969,647	5.7%
<i>Change</i>										
2012-2021		46.4%		18.9%		1.4%		113.9%		34.0%

¹ Other Taxes includes Real Property Transfer Taxes and Transient Occupancy Taxes.

City of Laguna Niguel
Assessed Value of Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>	<u>Unsecured</u>	<u>Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2012	11,117,732,120	638,400,300	94,093,029	11,004,369	130,694,433	11,991,924,251	0.13463%
2013	11,229,883,033	646,458,647	97,332,857	12,725,531	130,417,989	12,116,818,057	0.13463%
2014	11,445,351,932	641,714,733	89,523,605	89,399,329	135,097,159	12,401,086,758	0.13463%
2015	12,227,948,146	709,563,753	104,299,283	84,698,416	144,285,367	13,270,794,965	0.13463%
2016	12,908,323,391	748,131,051	133,378,348	92,189,497	136,727,885	14,018,750,172	0.13463%
2017	13,476,324,468	810,527,445	106,755,978	89,220,631	143,473,801	14,626,302,323	0.13463%
2018	14,170,189,583	828,023,757	130,240,687	80,636,282	153,767,064	15,362,857,373	0.13463%
2019	14,772,757,911	848,077,767	111,794,126	108,077,098	149,085,955	15,989,792,857	0.13463%
2020	15,400,702,974	871,787,891	115,436,254	335,849,810	209,118,079	16,932,895,008	0.13463%
2021	16,007,464,645	897,926,358	125,099,940	351,139,057	172,712,600	17,554,342,600	0.13463%

Notes:

Exempt values are not included in totals.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Orange County Assessor 2011/12 - 2020/21 combined tax rolls, through HdL, Coren & Cone.

City of Laguna Niguel
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Year	County Direct Rate	Overlapping Rates				
		Capistrano Unified	Laguna Beach Unified	Moulton Niguel Water District	Saddleback Valley Unified	South Coast Water District
2012	1.00000%	0.01101%	0.01601%	0.11957%	0.03163%	0.00828%
2013	1.00000%	0.01171%	0.01694%	0.12280%	0.03265%	0.00819%
2014	1.00000%	0.00972%	0.01567%	0.10972%	0.03207%	0.00787%
2015	1.00000%	0.00900%	0.01461%	0.06975%	0.02806%	0.00722%
2016	1.00000%	0.00845%	0.01396%	0.06270%	0.03008%	0.00665%
2017	1.00000%	0.00843%	0.01371%	0.09377%	0.02688%	0.00207%
2018	1.00000%	0.00800%	0.01287%	0.05179%	0.02365%	0.00000%
2019	1.00000%	0.00786%	0.01285%	0.06644%	0.02392%	0.00000%
2020	1.00000%	0.00745%	0.01266%	0.03072%	0.02295%	0.00000%
2021	1.00000%	0.00756%	0.01012%	0.00000%	0.02336%	0.00000%

(Continued)

Notes:

Overlapping rates are those that apply to property owners within the City.
 Not all overlapping rates apply to all city property owners.

Total direct rate is the weighted average of all individual direct rates applied by the City.

In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Source: Orange County Assessor 2011/12 - 2020/21 Tax Rate Tables, through HdL, Coren & Cone

City of Laguna Niguel
Direct and Overlapping Property Tax Rates (Continued)
Last Ten Fiscal Years

Year	<u>Overlapping Rates</u>		City Share of Direct Rate	Total Direct Rates
	Metropolitan Water District	Total Direct and Overlapping Rates		
2012	0.00370%	1.19020%	0.13463%	0.02413%
2013	0.00350%	1.19579%	0.13463%	0.02413%
2014	0.00350%	1.17855%	0.13463%	0.09992%
2015	0.00350%	1.13214%	0.13463%	0.10005%
2016	0.00350%	1.12534%	0.13463%	0.10015%
2017	0.00350%	1.14836%	0.13463%	0.10023%
2018	0.00350%	1.09981%	0.13463%	0.10020%
2019	0.00350%	1.11457%	0.13463%	0.10010%
2020	0.00350%	1.07728%	0.13463%	0.09997%
2021	0.00350%	1.04454%	0.13463%	0.10064%

(Concluded)

Notes:

Overlapping rates are those that apply to property owners within the City.
 Not all overlapping rates apply to all city property owners.

Total direct rate is the weighted average of all individual direct rates applied by the City.

In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Source: Orange County Assessor 2011/12 - 2020/21 Tax Rate Tables, through HdL, Coren & Cone

**City of Laguna Niguel
Principal Property Tax Payers
Current Year and Nine Years Ago**

Taxpayer	2021				2012			
	Assessed Value	Estimated Revenue	Rank	% of Total City Taxable Assessed Value	Assessed Value	Estimated Revenue	Rank	% of Total City Taxable Assessed Value
BRE-FMCA LLC	\$ 119,420,780	\$ 160,776	1	0.69%	71,919,785	96,826	1	0.60%
Broadstone Laguna Niguel LLC	101,170,475	136,206	2	0.59%				
Sequoia Equities Inc.	92,051,276	123,929	3	0.53%	51,305,277	69,072	2	0.43%
Steadfast Crestavilla LLC	85,935,332	115,695	4	0.50%				
Broadstone North Getty LLC	77,401,774	104,206	5	0.45%				
Cal I Crown Valley LLC	72,338,559	97,389	6	0.42%				
Shapell Social Rental Properties LLC	57,751,438	77,751	7	0.34%	47,188,602	63,530	3	0.39%
Laguna Design Dunhill	57,137,440	76,924	8	0.33%				
TPG Acquisition LLC	55,712,011	75,005	9	0.32%				
Rancho Niguel Office Partners	54,746,323	73,705	10	0.32%				
Seaside Meadows LLC					43,815,696	58,989	4	0.37%
CostCo Wholesale Corporation					43,150,917	58,094	5	0.36%
FG Laguna Niguel Senior Apartment LP					36,982,886	49,790	6	0.31%
EQR Bond Partnership					36,668,625	49,367	7	0.31%
Ocean Ranch II					35,788,635	48,182	8	0.30%
Pointe Niguel Partners LP					34,462,861	46,397	9	0.29%
Mann Enterprises Inc					32,582,164	43,865	10	0.27%
Total	<u>\$ 773,665,408</u>	<u>\$ 1,041,586</u>		<u>4.49%</u>	<u>\$ 433,865,448</u>	<u>\$ 584,113</u>		<u>3.63%</u>

Source: Orange County Assessor 2011/2012 and 2020/2021 Combined Tax Rolls and the SBE Non Unitary Tax Roll through HdL, Coren & Cone

City of Laguna Niguel
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	16,892,644	16,520,601	97.80%	205,001	16,725,601	99.01%
2013	17,483,577	16,903,941	96.68%	186,450	17,090,392	97.75%
2014	17,830,970	17,556,458	98.46%	135,732	17,692,190	99.22%
2015	18,985,609	18,686,825	98.43%	116,427	18,803,252	99.04%
2016	20,253,052	19,817,313	97.85%	116,490	19,933,803	98.42%
2017	21,044,889	20,646,100	98.11%	95,185	20,741,285	98.56%
2018	22,153,447	21,827,913	98.53%	85,105	21,913,019	98.91%
2019	22,966,722	22,606,099	98.43%	86,280	22,692,379	98.81%
2020	23,755,074	23,429,306	98.63%	94,115	23,523,421	99.02%
2021	24,748,265	24,436,951	98.74%	127,181	24,564,133	99.26%

Notes:

Tax ledgers do not identify the tax year for which delinquent taxes are paid, therefore, this schedule reflects the cumulative collections from delinquent taxes.

Source: Orange County Auditor Controller Tax Ledgers

City of Laguna Niguel
Ratio of Outstanding Debt by Type
Governmental Activities
Last Ten Fiscal Years

Fiscal Year	Capital Leases	Percentage of Assessed Property Value	Per Capita
2012	-	0.00000%	-
2013	-	0.00000%	-
2014	-	0.00000%	-
2015	-	0.00000%	-
2016	353,262	0.00252%	5.34
2017	276,999	0.00189%	4.15
2018	515,684	0.00336%	7.89
2019	364,963	0.00228%	5.47
2020	157,984	0.00093%	2.42
2021	181,490	#DIV/0!	2.78

Notes:

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

The City does not have any *Business-Type* activities. All debt is reported as governmental activities.

^a See "Assessed Value of Taxable Property" schedule for assessed property value data. This ratio is calculated using assessed property value for the prior calendar year.

^b See "Demographic and Economic Statistics" schedule for population data. This ratio is calculated using population as of January of each fiscal year as reported by the State Department of Finance.

City of Laguna Niguel
Direct and Overlapping Governmental Activities Debt
June 30, 2021

2020-2021 Assessed Valuation: \$17,211,774,861

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/21	% Applicable(1)	City's Share of Debt 6/30/21 (2)
Metropolitan Water District	\$ 26,830,000	0.527%	\$ 141,394
Capistrano Unified School District School Facilities Improvement District No. 1	16,013,396	24.962%	3,997,264
Laguna Beach Unified School District	15,920,000	0.017%	2,706
Saddleback Valley Unified School District	99,865,000	0.054%	53,927
City of Laguna Niguel	181,490	100.000%	181,490
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 4,376,781
OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	\$ 381,885,000	2.626%	\$ 10,028,300
Orange County Pension Obligation Bonds	485,318,204	2.626%	12,744,456
Orange County Board of Education Certificates of Participation	12,310,000	2.626%	323,261
Capistrano Unified School District Certificates of Participation	25,160,000	17.395%	4,376,582
Moulton Niguel Water District Certificates of Participation	55,180,000	42.478%	23,439,360
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT			\$ 50,911,959
GROSS COMBINED TOTAL DEBT		(3)	\$ 55,288,740

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.
(2) Amount of debt applicable to citizens residing in Laguna Niguel. This is not City of Laguna Niguel debt.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2020-2021 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.02%
Gross Combined Total Debt	0.32%

Source: Avenu Insights & Analytics

City of Laguna Niguel
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2021

Assessed value	\$	17,554,343
Debt limit (3.75% of assessed value)		658,288
Debt applicable to limit		-
Legal debt margin	\$	658,288

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 449,697	\$ 454,381	\$ 465,041	\$ 497,655	\$ 525,703	\$ 546,443	\$ 573,609	\$ 597,132	\$ 634,984	\$ 658,288
Debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	449,697	454,381	465,041	497,655	525,703	546,443	573,609	597,132	634,984	658,288
Total debt applicable to the limit as a percentage of debt	-	-	-	-	-	-	-	-	-	-

Note:

The general laws of the State of California for municipalities provide for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was established based on 25% of market value. Effective with FY 1981-82, taxable property is assessed at 100% of market value. Although the debt limit provision has not been amended by the State since this change, the percentage has been proportionately modified to 3.75% for the purpose of this calculation for the consistency with the original intent of the State's debt limit.

City of Laguna Niguel
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population ^d	Personal Income (in thousands) ^d	Per Capita Income ^d	Taxable Sales Per Capita ^a	Registered Voters ^c	Housing Units ^e	Median Home Value ^b	Unemployment Rate
2012	63,691	3,172,067	49,804	16,652	41,913	25,374	490,500	6.80%
2013	64,065	3,236,436	50,518	16,989	37,840	25,392	609,000	4.40%
2014	64,460	3,280,305	50,889	17,188	37,431	25,424	652,000	3.90%
2015	64,449	3,215,232	49,888	17,653	37,676	25,456	689,000	5.00%
2016	66,142	3,327,443	50,307	17,724	39,915	25,458	695,000	4.10%
2017	66,689	3,337,813	50,050	17,167	37,397	25,884	745,500	3.70%
2018	65,377	3,380,822	51,713	17,167	40,188	25,888	799,250	3.30%
2019	66,748	3,496,077	52,377	17,725	41,080	26,235	795,000	2.80%
2020	65,316	3,654,152	55,946	18,724	45,119	26,236	811,500	2.70%
2021	65,168	3,920,887	60,165	20,157	45,024	26,774	952,000	7.70%

Notes

^a Taxable sales is based upon sales tax revenue reported by the City on the modified accrual basis of accounting.

^b Median home value includes both single family and condo/townhouse units.

Data for year 2012 was obtained from CLR Search.

Data for years 2013-2021 were obtained from HdL.

^c Data for years 2012-2021 were obtained from OC Registrar of Voters.

^d Data for years 2012-2021 were obtained from HdL, Coren & Cone.

^e Data for years 2012-2021 were obtained from State Department of Finance/Center for Demographic Research.

Source: State Department of Finance
HdL, Coren & Cone
Center for Demographic Research
O.C. Registrar of Voters

**City of Laguna Niguel
Principal Employers
Current Year and Nine Years Ago**

Employer	2021			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
United States Government	2,200	1	6.47%			
Costco Wholesale Corporation	657	2	1.93%	493	1	1.30%
Capistrano Unified School District	331	3	0.97%	285	3	0.75%
Wal-Mart Stores, Inc.	301	4	0.89%	300	2	0.79%
Life Time Fitness	295	5	0.87%			
Whole Foods Market	232	6	0.68%			
Home Depot USA, Inc.	215	7	0.63%	167	6	0.44%
Mercedes-Benz of Laguna Niguel	205	8	0.60%	208	4	0.55%
Albertsons, Inc.	159	9	0.47%	149	7	0.39%
Vons	148	10	0.44%			
YMCA				190	5	0.50%
First Team Real Estate, Inc.				140	8	0.37%
Kohl's Department Stores, Inc.				135	9	0.36%
Interface Associates, Inc.				115	10	0.30%
Total	4,743		13.95%	2,182		5.75%

Note

Source: Avenu Insights & Analytics

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City of Laguna Niguel
Full-Time Equivalent City Government Employees by Function / Program
Last Ten Fiscal Years

	Fiscal Year				
	2012	2013	2014	2015	2016
General Government					
City Council	1.0	1.0	1.0	1.0	0.5
City Manager	4.0	4.0	4.0	4.0	4.5
City Clerk	2.5	2.5	2.5	3.0	2.0
Finance	5.0	5.0	5.0	5.5	7.0
Management Services	-	-	-	-	-
Public Safety					
Police Services	1.0	1.0	1.0	-	2.0
Emergency Preparedness	0.5	0.5	0.5	1.0	1.0
Community Development					
Administration	3.0	3.0	3.0	4.0	2.8
Planning	8.2	8.2	8.2	8.2	9.8
Building and Safety	2.0	2.0	2.0	1.0	1.0
Community Preservation	-	-	-	-	-
Public Works					
Administration	3.0	3.0	3.0	2.0	3.0
Engineering / Water Quality	7.0	8.0	8.0	6.0	8.3
Street Maintenance	-	-	-	-	-
Median Maintenance	-	0.8	0.8	0.8	0.8
Park Maintenance	4.0	3.0	3.0	3.0	2.0
Slope Maintenance	-	0.8	0.8	0.8	0.8
City Hall	-	1.5	1.5	1.5	1.5
Parks and Recreation					
Administration	3.0	3.0	3.0	2.5	4.0
Recreational Programs	11.0	11.0	13.0	11.5	14.0
Aquatics	9.0	7.0	9.0	10.0	10.8
Skateboard Park	4.0	5.0	5.0	5.0	5.5
Sports	-	-	-	-	-
Sea Country Senior & Community Center	11.0	11.0	12.0	14.0	11.9
Totals	<u>79.2</u>	<u>81.3</u>	<u>86.3</u>	<u>84.8</u>	<u>93.1</u>

Note:

For part-time employees, full-time equivalent employment is calculated by dividing part-time labor costs by average hourly wage and total labor hours of 2,080. The City is a full contract City and contracts out the following services: Police and Fire Services; Street Maintenance, including Street Sweeping; Park, Slope and Median Landscape Maintenance; Metrolink Station and Park Building Maintenance, and Building and Planning Inspection Services.

Source: Finance Department

City of Laguna Niguel
Full-Time Equivalent City Government Employees by Function / Program (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2017	2018	2019	2020	2021
General Government					
City Council	0.5	0.5	0.5	-	-
City Manager	3.8	1.8	6.1	4.6	5.6
City Clerk	2.0	2.5	2.0	2.0	2.1
Finance	6.0	6.5	6.3	6.4	6.0
Management Services	2.4	2.4	-	-	-
Public Safety					
Police Services	2.0	2.0	1.5	1.0	1.0
Emergency Preparedness	1.0	1.0	1.0	1.0	1.0
Community Development					
Administration	4.0	4.0	4.1	3.2	3.2
Planning	8.0	9.0	9.0	5.1	5.0
Building and Safety	1.0	1.0	1.0	-	-
Community Preservation	-	-	-	2.0	2.2
Public Works					
Administration	3.3	2.3	3.6	5.0	10.6
Engineering / Water Quality	9.0	10.5	11.4	6.6	-
Street Maintenance	-	-	-	1.0	1.0
Median Maintenance	0.8	0.8	-	-	-
Park Maintenance	3.0	4.0	5.2	6.5	4.0
Slope Maintenance	0.8	0.8	-	-	-
City Hall	1.5	1.5	1.5	1.5	3.0
Parks and Recreation					
Administration	4.0	3.5	4.0	3.7	3.5
Recreational Programs	14.0	13.5	16.2	13.2	9.5
Aquatics	9.0	12.0	5.4	9.1	7.2
Skateboard Park	5.0	5.0	5.3	4.7	3.3
Sports	-	-	-	4.3	3.9
Sea Country Senior & Community Center	15.0	13.0	13.2	12.5	4.6
Totals	<u>96.0</u>	<u>97.5</u>	<u>97.3</u>	<u>93.4</u>	<u>76.7</u>

Note:

For part-time employees, full-time equivalent employment is calculated by dividing part-time labor costs by average hourly wage and total labor hours of 2,080. The City is a full contract City and contracts out the following services: Police and Fire Services; Street Maintenance, including Street Sweeping; Park, Slope and Median Landscape Maintenance; Metrolink Station and Park Building Maintenance, and Building and Planning Inspection Services.

Source: Finance Department

City of Laguna Niguel
Capital Asset Statistics by Function / Program
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public Safety: ¹										
Patrol motorcycles	3	3	3	3	3	4	4	4	4	5
PACT units	2	2	2	2	2	2	2	2	2	2
Public Works:										
Street miles	140	140	140	140	140	140	140	140	140	140
Traffic signals	78	78	78	78	78	78	78	78	78	78
Traffic signals - shared	2	2	2	2	2	2	2	2	2	2
Parks and Recreation:										
Acreage	135	135	135	135	135	135	135	135	135	135
City parks	29	29	29	29	29	29	29	29	29	29
Playgrounds	20	20	20	20	21	21	21	21	21	21
Swimming pool	1	1	1	1	1	1	1	1	1	1
Skateboard park	1	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	16	16	16	16	16	16	16	16	16	16
Soccer fields	16	16	16	16	16	16	16	16	16	16
Community centers	2	2	2	2	2	2	2	2	2	2

Note

No capital asset indicators are available for the general government or community development functions.

¹ The City contracts with the Orange County Sheriff's Department for its police services. The City does not own the patrol cars used by the County. Therefore, they are not included in this schedule, yet are part of the services provided to achieve the response times and issue the citations included in the "Operating Indicators By Function" schedule.

Sources: Various City departments

City of Laguna Niguel
Operating Indicators by Function
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public Safety:										
Police priority one response time (minutes)	4.68	6.53	5.95	5.95	5.30	5.21	4.51	4.53	4.36	4.40
Fire response time (minutes)	6.05	6.57	6.12	6.24	6.03	6.00	6.09	7.15	7.03	6.53
Traffic citations	4,908	3,808	3,936	3,936	2,719	3,729	4,397	7,029	4,540	4,998
Parking citations	1,210	1,207	2,213	2,449	2,975	3,405	3,747	3,099	2,203	2,836
Community Development:										
Permits issued	2,230	2,242	2,914	3,406	3,755	4,139	3,735	4,106	3,105	3,258
Public Works:										
Streets - miles resurfaced	30.4	0.2	5.5	12.7	2.7	10.4	37.2	0.6	2.1	7.2

Notes:

* Data not available

Sources:

Orange County Fire Authority
Orange County Sheriff's Department
Data Ticket
Public Works Department
Community Development Department

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